

Corporate Governance Statement

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

The board and management of Sembcorp recognise that well-defined corporate governance processes are essential to enhancing corporate accountability and long-term sustainability, and are committed to high standards of governance to preserve and maximise shareholder value. This report sets out the company's corporate governance processes and activities for the financial year with reference to the principles set out in the Singapore Code of Corporate Governance 2012 (the Code), which is applicable to this corporate governance statement for the financial year 2018. The board is pleased to report that the company has complied in all material aspects with the principles and guidelines set out in the Code, and any deviations are explained in this report.

The company continually reviews and refines our processes in light of best practice, consistent with the needs and circumstances of the Group. We are encouraged that our efforts towards excellent governance have been recognised. Sembcorp was ranked sixth in the 2018 edition of the Singapore Governance and Transparency Index, a well-respected index assessing the transparency of 589 Singapore listed companies. The index is a collaboration between CPA Australia, the Centre for Governance, Institutions and Organisations at NUS Business School, and the Singapore Institute of Directors.

At the Singapore Corporate Awards 2018, Sembcorp won the gold award for Best Annual Report in the category for companies with S\$1 billion and above in market capitalisation.

Board Matters

Board's Conduct of Affairs (Principle 1)

Effective board to lead and effect controls

Sembcorp is led by an effective board comprising mainly independent non-executive directors. The board is headed by Ang Kong Hua. He is joined on the board by our Group President & CEO Neil McGregor, as well as Margaret Lui, Tan Sri Mohd Hassan Marican, Tham Kui Seng, Dr Teh Kok Peng, Ajaib Haridass, Nicky Tan Ng Kuang, Yap Chee Keong, Jonathan Asherson OBE and Dr Josephine Kwa Lay Keng, who was appointed to the board on August 1, 2018.

Role of the board

The board is collectively responsible for the long-term success of the company. Each director exercises his / her independent judgement to act in good faith and in the best interests of the company for the creation of long-term value for shareholders. The principal duties of the board are to:

- Provide leadership and guidance to management on the Group's overall strategy, focusing on value creation, innovation and the need to ensure the necessary financial and human resources are in place
- Ensure the adequacy of the Group's risk management and internal controls framework and standards, including ethical standards, and that our obligations to shareholders and the Group's other stakeholders are met
- Review management performance and oversee the Group's overall performance objectives, key operational initiatives, financial plans and annual budget, major investments, divestments and funding proposals, quarterly and full-year financial performance reviews, risk management and corporate governance practices
- Provide guidance on sustainability issues such as environmental, social and governance factors, as part of the Group's overall business strategy

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

- Executive Committee (ExCo)
- Audit Committee
- Risk Committee
- Executive Resource & Compensation Committee
- Nominating Committee
- Technology Advisory Panel

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

Composition of the board committees is structured to ensure an equitable distribution of responsibilities among board members, maximise the effectiveness of the board and foster active participation and contribution. Diversity of experience and appropriate skills are considered along with the need to maintain appropriate checks and balances among the different committees. Hence, membership of the ExCo, with its greater involvement in key businesses and executive decisions, and membership of the Audit and Risk Committees, with their respective oversight roles, are mutually exclusive.

The directors and executive officers of the company have each given an undertaking that in the exercise of his / her powers and duties as a director or executive officer of the company, he / she shall apply his / her best endeavours to comply with the requirements of the Singapore Exchange Securities Trading (SGX-ST), pursuant to or in connection with the SGX-ST Listing Manual from time to time in force, and to use his / her best endeavours to procure that the company shall so comply.

The Group has adopted internal controls and guidelines that set out financial authorisation and approval limits for borrowings, including off-balance sheet commitments, investments, acquisitions, disposals, capital and operating expenditures, requisitions and expenses. Significant investments and transactions exceeding threshold limits are approved by the board while transactions below the threshold limits are approved by the ExCo and management to facilitate operational efficiency, in accordance with applicable financial authority limits.


Executive Committee

The ExCo is chaired by Mr Ang and its members include Mr McGregor, Mrs Lui, Mr Tan and Mr Tham, who was appointed to the committee on May 1, 2018.

Within the limits of authority delegated by the board per its terms of reference, the ExCo reviews and approves business opportunities, strategic investments, divestments, and major capital and operating expenditures. The ExCo also evaluates and recommends larger investments, capital and operating expenditures and divestments to the board for approval.

Technology Advisory Panel

The Technology Advisory Panel (TAP) comprises board members Mr Ang, Mr McGregor, Dr Teh, Dr Kwa and Mr Asherson, who was appointed to the panel on May 1, 2018, as well as co-opted members Prof Ng How Yong and Prof Lui Pao Chuen.

 Profiles of the members of the TAP may be found on pages 72 to 74.


The TAP provides guidance to the Group on our vision and strategy in leveraging technology to enhance Sembcorp's leadership in our business sectors. The panel advises on technologies for research and development (R&D) as well as investment, and oversees the development and application of significant emerging and potentially disruptive technologies relevant to Sembcorp. It also ensures the appropriate management of specialised R&D projects, tapping into various government grant support schemes and the external technological ecosystem, and provides guidance to develop systems for intellectual property creation and protection. In addition, the panel advises Sembcorp's board and management on technological trends and opportunities in line with the company's growth strategies.

The compositions, roles and responsibilities of the other committees – the Audit Committee, Risk Committee, Executive Resource & Compensation Committee and Nominating Committee – are explained in this corporate governance statement.

Meetings and attendance

The board meets on a quarterly basis to review and approve the release of the company's quarterly results as well as deliberate on key activities and business strategies, including significant acquisitions, disposals and operational matters, and approve the Group's budget for the following year. At these board meetings, the Group President & CEO updates the board on the development and prospects of the Group's businesses and each board committee provides a report on its activities. Minutes of board committee meetings are circulated to the board to keep directors updated on each committee's activities. An additional board meeting is normally held at the end of each financial year to review the Group's strategy. Ad-hoc board meetings may also be convened as necessary to consider other specific matters. At quarterly board meetings, time is set aside for the board to discuss management performance. Members of management are not present at or privy to such discussions. Annually, an off-site strategic review meeting is organised for the board to have in-depth discussions with management on the Group's strategy and other key issues relevant to the Group. In September 2018, this off-site meeting was held in the UK.

Board and board committee meetings, as well as annual general meetings (AGMs) of the company are scheduled in consultation with the directors before the start of each year. Telephonic attendance and conference via audiovisual communication channels are allowed under the company's constitution to enable the participation of directors who are unable to attend physically. Decisions made by the board and board committees may be obtained at meetings or via circular resolutions. Directors disclose personal interests in transactions and recuse themselves from discussions and decisions in the event of any conflict. Should a director be unable to attend any board or board committee meeting, he / she will still be sent the papers tabled for discussion and have the opportunity to separately convey any views to the chairman for consideration or further discussion with other directors. If necessary, a separate session may be organised for management to brief that director and obtain his / her comments and / or approval.

 The directors' attendance at board and committee meetings held during the financial year 2018 is set out on page 113.

Board orientation and training

All new directors receive formal letters of appointment explaining the Group's governance policies and practices, as well as their duties and obligations as directors. New directors also receive an information pack that contains the Group's organisation structure, the contact details of members of senior management, the company's constitution, the respective committees' terms of reference, the Group's policies relating to disclosure of interests in securities and prevention of insider trading, Code of Conduct, as well as guidelines on directors' fees.

The company conducts comprehensive orientation programmes for new directors. These include briefings on board policies and processes, presentations by senior management about Sembcorp, our overall strategic plans and direction, financial performance and business activities in various markets, as well as facility visits.

As part of training and professional development for the board, the company ensures that directors are briefed from time to time on changes to regulations, guidelines and accounting standards, as well as other relevant trends or topics such as updates to the Code of Corporate Governance. These are done either during board meetings or at specially convened sessions, including training sessions and seminars conducted by external professionals which are funded by the company.

In 2018, the directors participated in the following briefings and updates provided by the company:

- Briefings on developments in accounting and governance standards presented by our external auditors at Audit Committee meetings
- Quarterly updates on the Group's business and strategic developments presented by the Group President & CEO to the board
- Quarterly overviews presented by the Group Risk department to the Risk Committee on the Group's risk and controls environment and updates relating to risk management initiatives and key emerging threats, such as the heightened risk of cyber attacks
- Briefing on the new Code of Corporate Governance 2018 and directors' obligations and responsibilities under the Code by external legal advisors
- Public conferences, forum discussions and briefings on topics such as audit and financial reporting, regulatory and technological developments and complex industry systems engineering

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Besides such briefings, articles and reports relevant to the Group's businesses are also circulated to the directors for information. Furthermore, to enhance directors' understanding of the Group's businesses and promote their active engagement and stronger relationships with the Group's stakeholders, they regularly visit the Group's operations in different key markets. In 2018, the directors visited our facilities and met with government officials as well as key customers and partners as part of the board's off-site meeting in the UK.

Board Composition and Guidance (Principle 2) Strong and independent board exercising objective judgement

Board composition

The current board comprises 11 directors, nine of whom are independent directors. All the directors are non-executive, except the Group President & CEO. The board members include business leaders and professionals with strong experience relevant to the Group's businesses, from the engineering, petrochemical, oil, power and gas and real estate industries to accountancy, finance, legal and technology R&D sectors. Best efforts have been made to ensure that in addition to contributing their valuable expertise and insights to board deliberations, directors also bring to the board independent and objective perspectives to allow balanced and well-considered decisions to be made. The board is of the view that there is a strong and independent element on the board. Given that the majority of directors are non-executive and independent of management in terms of character and judgement, objectivity on issues deliberated is assured.

 Profiles of the directors may be found on pages 68 to 71.

Board Members for 2018

Board member	Position held on the board	Date of first appointment to the board	Date of last re-election / re-appointment as director	Nature of appointment
Ang Kong Hua	Chairman	Feb 26, 2010	Apr 20, 2018	Non-executive / Independent
Neil McGregor	Director	May 1, 2014	Apr 19, 2017	Executive / Non-independent
Margaret Lui	Director	Jun 1, 2010	Apr 20, 2018	Non-executive / Non-independent
Tan Sri Mohd Hassan Marican	Director	Jun 16, 2010	Apr 19, 2016*	Non-executive / Independent
Tham Kui Seng	Director	Jun 1, 2011	Apr 19, 2017*	Non-executive / Independent
Dr Teh Kok Peng	Director	Oct 15, 2012	Apr 20, 2018	Non-executive / Independent
Ajaib Haridass	Director	May 1, 2014	Apr 19, 2017*	Non-executive / Independent
Nicky Tan Ng Kuang	Director	Nov 1, 2015	Apr 19, 2016*	Non-executive / Independent
Yap Chee Keong	Director	Oct 1, 2016	Apr 19, 2017	Non-executive / Independent
Jonathan Asherson OBE	Director	Jul 17, 2017	Apr 20, 2018	Non-executive / Independent
Dr Josephine Kwa Lay Keng	Director	Aug 1, 2018	N.A.*	Non-executive / Independent

* Up for retirement and re-election at the company's upcoming AGM

Review of directors' independence

Each director's independence is assessed annually by the board on an individual basis, focusing on each director's capacity to bring independence of judgement to board decisions. The directors are required to complete a Director's Independence Checklist based on the guidelines provided in the Code. The checklist also requires each director to assess whether he / she considers himself / herself independent despite involvement in any of the relationships identified in the Code. Thereafter, the Nominating Committee reviews the completed checklists, assesses the independence of the directors and presents its recommendations to the board.

In 2018, all directors except Mr McGregor and Mrs Lui declared themselves to be independent. The Nominating Committee has reviewed and recommended to the board, and the board has agreed and determined that with the exception of Mr McGregor and Mrs Lui, all members of Sembcorp's board for 2018 are independent. Mr McGregor is Group President & CEO and an executive director of Sembcorp. Mrs Lui is CEO of Azalea Investment Management, a related company of Temasek Holdings (Temasek) which holds more than 10% interest in the Group.

Tan Sri Mohd Hassan and Mr Haridass both sit on the board of Sembcorp Marine, a listed subsidiary from which the company has received payment in excess of S\$200,000 in aggregate for consultancy services and provision of utilities services. Mr Haridass retired from the board of Sembcorp Marine on April 18, 2018. Mr Tham sits on the board of Sembcorp Design and Construction, a wholly-owned subsidiary of the company from which the company has received payment in excess of S\$200,000 for consultancy services. Tan Sri Mohd Hassan and

Composition of Board Committees for 2018

Board member	Executive Committee	Audit Committee	Risk Committee	Executive Resource & Compensation Committee	Nominating Committee	Technology Advisory Panel
Ang Kong Hua	Chairman			Chairman	Chairman	Chairman
Neil McGregor	Member					Member
Margaret Lui	Member			Member	Member	
Tan Sri Mohd Hassan Marican				Member	Member	
Tham Kui Seng ¹	Member			Member		
Dr Teh Kok Peng		Member	Member			Member
Ajaib Haridass		Member	Chairman			
Nicky Tan Ng Kuang	Member			Member	Member	
Yap Chee Keong		Chairman	Member			
Jonathan Asherson OBE ²		Member	Member			Member
Dr Josephine Kwa Lay Keng ³						Member

Directors' Attendance at Board and Board Committee Meetings in 2018

Board member	Board meeting	Executive Committee meeting	Audit Committee meeting	Risk Committee meeting	Executive Resource & Compensation Committee meeting	Nominating Committee meeting	Technology Advisory Panel meeting	Annual general meeting
Total Number of Meetings Held in 2018	9	5	5	4	4	2	4	1
Ang Kong Hua	9/9	5/5	–	–	4/4	2/2	3/4*	1
Neil McGregor	9/9	5/5	5/5	4/4	4/4	2/2	3/4*	1
Margaret Lui	9/9	5/5	–	–	4/4	2/2	–	1
Tan Sri Mohd Hassan Marican	9/9	–	–	–	4/4	2/2	–	1
Tham Kui Seng ¹	9/9	3/3	3/3	2/2	2/2	–	–	1
Dr Teh Kok Peng	8/9	–	5/5	4/4	–	–	4/4	1
Ajaib Haridass	9/9	–	5/5	4/4	–	–	–	1
Nicky Tan Ng Kuang	8/9*	5/5	–	–	3/4	2/2	–	1
Yap Chee Keong	9/9	–	5/5	4/4	–	–	–	1
Jonathan Asherson OBE ²	8/9*	–	2/2	2/2	–	–	2/3*	1
Dr Josephine Kwa Lay Keng ³	4/4	–	–	–	–	–	4/4	–

¹ Mr Tham was appointed a member of the Executive Committee and Executive Resource & Compensation Committee with effect from May 1, 2018. He relinquished his membership of the Audit Committee and Risk Committee on May 1, 2018

² Mr Asherson was appointed a member of the Audit Committee, Risk Committee and Technology Advisory Panel with effect from May 1, 2018

³ Dr Kwa was appointed a director with effect from August 1, 2018. She has been an external co-opted member of the Technology Advisory Panel since January 1, 2013. Her service as an external co-opted member terminated with effect from August 1, 2018

* Directors conveyed their views / comments for consideration prior to the meetings they did not attend

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Mr Tham hold the positions of Senior International Advisor and Corporate Advisor respectively at Temasek International Advisors, a subsidiary of Temasek. Mr Tham stepped down as Corporate Advisor in the first quarter of 2018.

The board has assessed these matters and is of the view that the payments received from these subsidiaries are not significant in the context of the Group's earnings. The board believes that Tan Sri Mohd Hassan, Mr Haridass and Mr Tham's directorships in these subsidiaries have not and will not interfere, or be reasonably perceived to interfere, with their ability to exercise independent judgement and act in the best interests of Sembcorp.

Tan Sri Mohd Hassan and Mr Tham's roles as advisors at Temasek International Advisors are non-executive in nature and they are not involved in its day-to-day conduct of business. They are also not accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Temasek. The board believes that they have acted and will continue to act in the best interests of Sembcorp.

Hence, the Nominating Committee has recommended, and the board has determined that Tan Sri Mohd Hassan, Mr Haridass and Mr Tham are independent notwithstanding their relationships with Temasek and the Group's subsidiaries.

The board also considers Dr Kwa independent notwithstanding her relationship with the company under Guidance Note 2.1(d) of the Code. Dr Kwa is a director of the Agency for Science, Technology and Research (A*STAR), an organisation with which Sembcorp is jointly researching an R&D project under the Sembcorp-EMA Energy Technology Partnership for which the company has made payment in excess of S\$200,000 for project cost. The board is of the view that the amount paid to A*STAR is insignificant in the context of the Group's earnings and Dr Kwa's directorship on ASTAR will not interfere with her ability to exercise independent judgement and act in the best interests of Sembcorp.

The Code recommends that the independence of any director who has served on the board beyond nine years from the date of his / her first appointment should be subject to a particularly rigorous review. The board has set a term limit of nine years for determining the independence of directors of the company. Should the board decide to retain any director beyond this nine-year term, it will rigorously review the independence of that director and determine if he / she should continue to be regarded as an independent director. In the financial year 2018, none of Sembcorp's current directors have served longer than nine years from the date of their appointment.

In 2019, Mr Ang and Tan Sri Mohd Hassan would have served on the board for more than nine years. The board has observed that over the tenure from 2010 until present, both Mr Ang and Tan Sri Mohd Hassan have shown strong independence of character and judgement in the discharge of their duties as directors. The directors have accumulated much knowledge of the business of Sembcorp and contributed actively to the board which is very valuable, particularly to the new management team and especially during this transformation period that the Group is undergoing. The board is of the opinion that the length of service will not change the independence of both directors. In fact, their length of service will assist the board to better understand the Group and our business over the long-term, and therefore better serve the interests of the company and our shareholders by having long-term familiarity with and understanding of the company and our operations and growth strategies. Therefore, after a rigorous and thorough review, the Nominating Committee recommended to the board that Mr Ang and Tan Sri Mohd Hassan shall remain independent despite serving more than nine years on the board, and the board concurred.

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 to each other. Their roles are kept separate to ensure a clear division of responsibilities, increased accountability and a greater capacity of the board for independent decision-making.

The Chairman, who is non-executive and independent, chairs the board, ExCo, Executive Resource & Compensation Committee, Nominating Committee and the TAP.

There is also a strong and independent element on the board, where nine out of 11 directors are independent. As such, the board has ascertained that there is no necessity to appoint a lead independent director.

The Chairman leads and ensures an effective and comprehensive discussion on matters brought to the board, including strategic issues and business planning. He ensures the board and board committee meetings are conducted in a manner that promotes open communication, participation and decision making. He also provides advice to management and monitors all follow-up actions following the board's decisions, ensuring that such decisions are translated into executive action. In addition, the Chairman provides leadership and guidance to management, particularly with regard to global growth strategy and project investments. He also helps to oversee the Group's talent management, and works with the Group President & CEO to ensure that robust succession plans are in place for key management positions.

At AGMs and other shareholder meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders and the board and management.

The Group President & CEO makes strategic proposals to the board, develops and manages the Group's businesses in accordance with strategies, policies, budgets and business plans as approved by the board and provides close oversight, guidance and leadership to key management personnel.

Board Membership (Principle 4)

Formal and transparent process for the appointment and re-appointment of directors

Nominating Committee

All the Nominating Committee (NC) members are non-executive directors, namely Mr Ang, Mrs Lui, Tan Sri Mohd Hassan and Mr Tan. Three out of four NC members, including its chairman, are independent. They are Mr Ang, Tan Sri Mohd Hassan and Mr Tan.

The NC is responsible for continually reviewing Sembcorp's board composition to ensure strong, independent and sound board leadership to drive the continued success of the company and our businesses.

The key responsibilities of the NC are to:

- Ensure that the board has the right balance of skills, attributes, knowledge and experience in business, finance and related industries, as well as management expertise critical to the company's businesses
- Review the composition and size of the board and its committees and recommend new appointments, re-appointments and re-elections to the board and board committees as appropriate
- Review the directors' independence and succession plans for the board
- Develop a process to evaluate board and board committees' performance
- Review training and professional development programmes for the board

Succession planning, appointment and re-appointment of directors

The NC seeks to refresh board membership progressively and in an orderly manner. All appointments to the board are made based on merit and measured against objective criteria. Candidates must be able to discharge their responsibilities as directors while upholding the highest standards of governance practised by the Group. The board also recognises the contributions of directors who have, over time, developed deep insights into the Group's businesses. It exercises its discretion to retain the services of such directors where appropriate, to avoid an abrupt loss of experienced directors with a valuable understanding of the Group.

With reference to the Group's strategies and business plans, the NC reviews the skills mix of board members to ensure that the board has the required diversity, including gender diversity, as well as the competencies to support our growth. When the need for a new director arises, the NC consults with management and identifies a list of potential candidates. These candidates are sourced through an extensive network of contacts and external databases where appropriate, based on the skill sets, experience, knowledge and attributes required to lead the growth of the company. Thereafter, the NC will interview the candidates and make its recommendation to the board for approval. In accordance with the company's constitution, the new director will hold office until the next AGM and, if eligible, can stand for re-appointment.

The company subscribes to the principle that all directors, including the Group President & CEO, should retire and submit themselves for re-election at regular intervals, subject to their continued satisfactory performance. The company's constitution requires a third of our directors to retire and subject themselves for re-election by shareholders at every AGM (one-third rotation rule).

In addition, all newly-appointed directors submit themselves for retirement and re-election at the AGM immediately following their appointment. Thereafter, these directors are subject to the one-third rotation rule.

Pursuant to the one-third rotation rule, Tan Sri Mohd Hassan, Mr Tham, Mr Haridass and Mr Tan will retire and have offered themselves for re-election at the forthcoming AGM.

Dr Kwa, who was newly appointed to the board on August 1, 2018, will also retire and has offered herself for re-election by shareholders at the forthcoming AGM.

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

Review of directors' time commitments

While reviewing the re-appointment and re-election of directors, the NC also considers the directors' other board directorship 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 the competing time commitments that may be faced when a director holds multiple board directorship representations. As a general rule, the board has determined that the maximum number of listed company board representations held by any Sembcorp director should not exceed five. However, the board recognises that the individual circumstances and capacity of each director are different and there may be circumstances in which the limit on board appointments may differ as appropriate.

For 2018, the NC has reviewed and recommended to the board and the board is satisfied that all directors have given sufficient time and attention to the affairs of the company and have discharged their duties adequately.

Board Performance (Principle 5)

Active participation and valuable contributions are key to overall effectiveness of the board

Board evaluation process and performance criteria

The board believes that board performance is ultimately reflected in the long-term performance of the Group.

Each year, in consultation with the NC, the board assesses its performance to identify key areas for improving the effectiveness of the board and board committees and requisite follow-up actions. The assessment helps the directors to maintain focus on their key responsibilities, while improving board performance.

To provide feedback to aid in this assessment, each director is required to complete a questionnaire on the effectiveness of the board, board committees and individual directors' contribution and performance. The evaluation considers factors such as the size and composition of the board and board committees, board processes and accountability, board and board committees' development and effectiveness, information and technology management, decision-making processes, risk and crisis management, succession planning, communication with senior management and stakeholder management. The evaluation and feedback are then consolidated and presented to the board for discussion on areas of strengths and weaknesses. The NC periodically reviews and improves the directors' questionnaire to further enhance the assessment of the board and board committees' effectiveness.

For the financial year 2018, the evaluation indicated that the board and its committees continued to perform effectively to support Sembcorp.

Access to Information (Principle 6)

Directors have complete, adequate and timely information and resources

Complete, adequate and timely information

The company recognises that directors should be provided with complete, adequate and timely information on an ongoing basis that enables them to make informed decisions, discharge their duties and keep 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 on a quarterly basis at board meetings and the Group President & CEO, Group Chief Financial Officer (CFO) and members of senior management attend board and board committee meetings to provide insight into matters under discussion and address any queries that the directors may have.

In line with Sembcorp's strong commitment to environmental responsibility, directors are provided with electronic tablets that give them access to board and board committee papers prior to and during meetings. As a general rule, board and board committee papers are made available to directors a week prior to meetings. This is to give the directors sufficient time to review and consider matters at hand. It also ensures that discussions at the meetings can be focused on any questions arising from these matters. The board has ready and independent access to the Group President & CEO, senior management, the company secretary and internal and external auditors and counsel at all times, should it require additional information or for advice and consultation.

Company Secretary

The appointment and the removal of the company secretary are subject to the board's approval. The company secretary assists the Chairman to ensure good information flow within the board and its committees and between the board and senior management. In addition, the company secretary attends to corporate secretarial matters, such as arranging orientations for new directors and assisting with their professional development as required. In consultation with the Chairman and Group President & CEO, the company secretary assists the board with scheduling of board and board committee meetings, prepares meeting agendas and administers, attends and minutes board proceedings.

The company secretary assists the board in the Group's compliance with the company's constitution and applicable regulations, including requirements of the Companies Act, Securities & Futures Act and SGX-ST Listing Manual. Moreover, the company secretary liaises on behalf of the company with SGX-ST, the Accounting and Corporate Regulatory Authority (ACRA) and when necessary, shareholders.

Independent professional advice

In the furtherance of its duties, the board exercises its discretion to seek independent professional advice at the company's expense, if deemed necessary.

Remuneration Matters

Procedures for Developing Remuneration Policies (Principle 7)

Remuneration of directors adequate and not excessive

With the assistance of the Executive Resource & Compensation Committee, the board ensures that a formal policy and transparent procedure for determining remuneration of executives and directors are in place.

Executive Resource & Compensation Committee

The Executive Resource & Compensation Committee (ERCC) is chaired by Mr Ang, an independent non-executive director. He is joined on the committee by Mrs Lui, Tan Sri Mohd Hassan, Mr Tan as well as Mr Tham. Mr Tham was appointed to the ERCC on May 1, 2018.

The ERCC is responsible for developing, reviewing and recommending to the board the framework of remuneration for the board and key management personnel as defined in the Code.

To this end, it:

- Assists the board to ensure that competitive remuneration policies and practices for the company and management are in place and aligned with the prevailing economic environment
- Reviews the Directors' Fee Framework periodically and remuneration package of each member of key management, and endorses or makes further recommendations on such matters to the board for its consideration
- Establishes guidelines on share-based incentives and other long-term incentive plans and approves the grant of such incentives to key management personnel. These incentives serve to motivate executives to maximise operating and financial performance and shareholder value. They are aimed at aligning the interests of key management personnel with those of shareholders
- Reviews succession planning for key management personnel and the leadership pipeline for the organisation

In its deliberations, the ERCC takes into consideration industry practices and compensation norms. The Group President & CEO does not attend discussions relating to his own compensation, terms and conditions of service, or the review of his performance. In addition, no ERCC member or any director is involved in deliberations in respect of any remuneration, compensation, share-based incentives or any form of benefits to be granted to himself / herself.

The ERCC has access to expert professional advice on human resource matters whenever there is a need for such external consultation. In 2018, Aon Hewitt (Singapore) was engaged as external consultants to provide such advice. In engaging external consultants, the Group ensures that the relationship, if any, between ourselves and these external consultants will not affect the independence and objectivity of the external consultants. In 2018, the ERCC undertook a review of the independence and objectivity of Aon Hewitt (Singapore) and confirmed that the Group had no relationship with the company that would affect the latter's independence.


In reviewing succession planning and the Group's leadership pipeline, 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, with the aim of building talent and maintaining strong and sound leadership for the Group. On an annual basis, the ERCC reviews succession planning for the position of Group President & CEO and that of officers reporting directly to him, as well as for other selected key positions in the company. Potential internal and external candidates for succession are reviewed for different time horizons 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 8)

Competitive reward system to ensure highest performance and retention of directors and key management personnel

Sembcorp believes that our remuneration and reward system is aligned with the long-term interests and risk policies of the company. We also recognise that a competitive remuneration and reward system based on individual performance is important to attract, retain and incentivise the best talent.

The Group President & CEO, as an executive director, does not receive director's fees from Sembcorp. As a lead member of management, his compensation consists of his salary, allowances, bonuses and share-based incentives conditional upon meeting certain performance targets.

 Details of the share-based incentives and performance targets are available in the Directors' Statement and Note 35 in the Notes to the Financial Statements in this annual report.

Non-executive directors' fees

An independent review of the Directors' Fee Framework was conducted in 2018 by our external consultants, Willis Towers Watson. It concluded that existing board retainer and committee retainer fees were competitive while the meeting attendance fee was higher than market. As a result, the board adopted a new fee framework with a reduced attendance fee which is aligned to the market.

The board also voluntarily took a 15% reduction of its financial year 2017 fee.

The framework on the right adopted by the company is based on a scale of fees divided into basic retainer fees, attendance fees and allowances for service on board committees.

Directors' Fee Framework for 2018*

	S\$
Retainer fee (per annum)	
Chairman (all-in fee) ¹	750,000
Director's basic retainer	75,000
Chairman, Executive Committee	50,000
Chairman, Audit Committee	50,000
Chairman, Risk Committee	35,000
Chairman, Executive Resource & Compensation Committee	35,000
Chairman, Nominating Committee	25,000
Chairman, Technology Advisory Panel / Others	25,000
Member, Executive Committee	30,000
Member, Audit Committee	30,000
Member, Risk Committee	20,000
Member, Executive Resource & Compensation Committee	20,000
Member, Nominating Committee	15,000
Member, Technology Advisory Panel / Others	15,000
Attendance fee (per meeting)	
Board meeting (Local) ²	2,500
Board meeting (Overseas) ²	5,000
Committee / General meeting (Local) ²	1,500
Committee / General meeting (Overseas) ²	3,000
Committee / AGM & EGM (flat fee) ³	1,000
Teleconference (per meeting)	
Board meeting	1,500
Board committee meeting	1,000
General meeting	1,000

Notes:

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

¹ With effect from January 1, 2014, the Chairman of our board only receives one all-in chairman's fee. He does not receive the directors' basic fee, nor any further fees or allowances for serving as a chairman or member of any of our board committees

² Local – home country of the directors
Overseas – outside home country of the directors

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

The directors' fees payable to non-executive directors are paid in cash and in share awards under the Sembcorp Industries Restricted Share Plan 2010. The ERCC has determined that 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. Mr McGregor does not receive directors' fees as Group President & CEO of the company. The payment of directors' fees (both the 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.

Share awards granted under the Sembcorp Industries Restricted Share Plan 2010 to non-executive directors as part of directors' fees will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares in the company (including shares obtained by other means) worth the value of their annual basic retainer fee (currently S\$75,000); any excess may be disposed of as desired, subject to securities trading rules. A non-executive director may only dispose of all of his shares one year after leaving the board. Subject to shareholders' approval at the forthcoming AGM, the cash component of the directors' fees for the financial year 2019 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 approved, 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 the financial year 2019 is intended to be paid in 2020 after the AGM has been held.

The company does not have a retirement remuneration plan for non-executive directors.

Remuneration for key management personnel

Sembcorp's remuneration and reward system for key management personnel is designed to ensure a competitive level of compensation to attract, retain and motivate employees to deliver high-level performance in accordance with the company's risk policies. Further, the level and mix of the variable remuneration is structured to ensure that the total remuneration for key management personnel is strongly aligned to the financial performance and returns delivered to shareholders. The strong relationship between pay and performance has been validated based on the pay-for-performance study conducted by our external consultants, Aon Hewitt (Singapore) in 2018.

- **Fixed remuneration**

Fixed remuneration includes an annual basic salary and, where applicable, fixed allowances, an annual wage supplement and other emoluments. Base salaries of key management personnel are determined based on the scope, criticality and complexity of each role, equity against peers with similar responsibilities, experience and competencies, individual performance and market competitiveness.

- **Annual variable bonuses**

The annual variable bonus is intended to recognise the performance and contributions of the individual, while driving the achievement of key business results for the company. The annual variable bonus includes two components.

The first is the performance target bonus, linked to the achievement of pre-agreed financial and non-financial performance targets, comprising strategy, business processes and organisation and people development. It is designed to support the Group's business strategy and the ongoing enhancement of shareholder value through the delivery of annual financial strategy and operational objectives. On an individual level, the performance target bonus will vary according to the actual achievement of the Group, business unit and the individual performance.

The second is linked to the creation of economic value added (EVA) and is designed to ensure alignment with sustainable value creation for shareholders over the longer term. An EVA linked "bonus bank" is created for each executive. Typically, one-third of the bonus bank balance is paid out in cash each year, while the remaining two-thirds is carried forward to the following year. Such carried-forward balances of the bonus bank may either be reduced or increased in future, based on the yearly EVA performance of the Group and our subsidiaries. There are provisions in the EVA incentive plan to allow for forfeiture of the outstanding balances in the bonus bank in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the company.

- **Share-based incentives**

The company's performance share plan and restricted share plan were approved and adopted by shareholders at an extraordinary general meeting (EGM) held by the company on April 22, 2010. Through our share-based incentives, we motivate key management personnel to continue to strive for the Group's long-term shareholder value. In addition, our share-based incentive plans aim to align the interests of participants with the interests of shareholders, to improve performance and achieve sustainable growth for the company.

The performance share award is only granted to the Group President & CEO and top management, while the restricted share award is granted to a broader group of executives. The number of performance and restricted shares awarded is determined using a valuation of the shares based on a Monte Carlo simulation. The share awards are conditional upon the achievement of pre-determined performance targets over the performance period. The performance conditions and targets are approved by the ERCC at the beginning of the performance period and the final number of shares vested to the recipient will depend on the level of achievement of these targets over the performance period, subject to the approval of the ERCC.

The size of the restricted share awards granted in 2018 is based on the achievement of stretched financial and non-financial targets, with emphasis on organisational transformation to meet future challenges and adherence to environment, health and safety standards.

The restricted shares awarded will vest conditionally over a four-year period contingent on satisfactory individual performance of the recipient for the financial year preceding each tranche of vesting, and continued employment with the Group.

The performance share awards granted in 2018 were based on Total Shareholder Return, Return on Equity (excluding Sembcorp Marine), Total Renewable Capacity and implementation of digital initiatives to support the organisational transformation efforts. The grant will have a three-year performance period from January 1, 2018 to December 31, 2020. A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of performance shares eventually awarded.

The performance shares awarded will vest in two tranches, 50% vesting in March 2021 and 50% vesting in March 2022.

Pay for performance

As in prior years, a pay-for-performance study was conducted in 2018 by our external consultants, Aon Hewitt (Singapore), to review the alignment between the Group's executive pay programme and business results. The Group benchmarked ourselves against established comparable-sized local listed companies with whom the Group competes for talent and capital.

The study benchmarked different elements of senior executive pay, namely fixed remuneration, total cash remuneration and total remuneration including long-term incentives, against that of peer companies. It found fixed remuneration for senior executives at the Group to be positioned competitively vis-à-vis the Group's relative size and complexity. Further, the total remuneration over the last five years shows a robust correlation with the Group's key financial performance drivers, including profit from operations and EVA. The performance conditions for short-term incentive plans were only partially met. Additionally, the shareholder return performance conditions that feature in the long-term incentive plan were not met, due to adverse share price movements. As a result, the realised value of the share incentive award was much lower than the granted value.

Overall, the study demonstrates sound correlation between the Group's executive pay, our key financial results, shareholder returns and peer company performance, thus reinforcing the strong pay-for-performance features underpinning the executive pay programme.

Disclosure on Remuneration (Principle 9)

Based on the revised Directors' Fee Framework, the computation of non-executive directors' fees totalled S\$2,206,333 in 2018 (2017: S\$1,938,769 – after applying the 15% reduction of their fees). The CEO and key management personnel also took a voluntary 10% to 15% reduction in pay given the difficult environment in 2018. More information on directors and key management personnel's remuneration can be found under the related item in the Supplementary Information section of the financial statements in this annual report.

In 2018, the company had no employees who were immediate family members of a director or the Group President & CEO.

Accountability and Audit

Accountability (Principle 10)

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 quarterly and annual financial results. The company believes that prompt compliance with statutory reporting requirements is imperative to maintaining shareholders' confidence and trust in the company. In line with stock exchange requirements, negative assurance statements are issued by the board to accompany the company's quarterly financial results announcements, confirming that to the best of its knowledge, nothing had come to its attention which would render the company's quarterly results false or misleading.

The company also recognises the importance of providing the board with accurate and relevant information on a timely basis. Sembcorp management furnishes management and operations reports as well as financial statements to the board on a regular basis.

Risk Management and Internal Controls (Principle 11)

The board has overall responsibility for the governance of the Group's risk management and internal controls. The company's board and management are fully committed to maintaining sound risk management and internal control systems to safeguard shareholders' interests and the Group's assets.

The board determines the company's levels of risk tolerance and risk policies, and oversees management in the design, implementation and monitoring of risk management and internal control systems.

Risk Committee

The Risk Committee (RC) assists the board in overseeing risk management for the Group. The RC is headed by Mr Haridass, who is joined on the committee by Mr Yap, Dr Teh and Mr Asherson, who was appointed to the committee with effect from May 1, 2018. Mr Tham, who served on the RC since April 2015, relinquished his membership on May 1, 2018 and joined the ExCo and ERCC.

The RC's principal functions are to:

- Review and endorse the Group's policies, guidelines and systems to govern the process for assessing and managing risk, including the risk appetite
- Review the adequacy and effectiveness of the risk management systems, processes and procedures of the Group
- Review risk-related reports submitted to it by management. These include updates on the Group's risk portfolio, reports on major risk exposure and any other risk-related issues as well as actions taken to monitor and manage such exposure / issues
- Review infrastructure and resources in place to support the management of risk including, for instance, insurance, human resources, information technology (IT) systems, and reporting structure and procedures

Adequate and effective system of internal controls


The Group has implemented a comprehensive enterprise risk management (ERM) framework where key risks identified are deliberated by management with the support of the risk management function, and reported regularly to the RC. Robust mechanisms and systems have been put in place to identify and manage the inherent risks in our business and strategy, and to monitor the Group's exposure to key risks that could impact the overall strategy and sustainability of the business. Supporting the ERM framework is a system of internal controls comprising a Code of Conduct, group-wide governance and internal control policies, procedures and guidelines dictating the segregation of duties, approval authorities and limits, and checks and balances embedded in business processes. The Group has also considered the various financial risks, details of which can be found on our website.

The Group is in the midst of transitioning our current Governance Assurance Framework (GAF) to an Integrated Assurance Framework (IAF) to put greater emphasis on the three lines of defence (LOD) model. Through the IAF structure, the respective LODs work together to ensure that key financial, operational, compliance and IT risks are reviewed and tested using a robust assurance process. Under the IAF, a pragmatic and collaborative approach to risk and controls assessment has been established, with common and consistent criteria to assess the risks and the adequacy and effectiveness of the internal controls.

Key markets, the first LOD, are in the process of adopting and implementing the IAF, which requires them to work with the second LOD comprising business lines, subject matter experts and corporate functions, to perform a thorough review and assessment of their risks and internal controls and updating of the new risk and control registers. At the same time, clear escalation procedures, consequence management framework and key risk indicators that are aligned with the Group's risk appetite are being developed as part of the IAF methodology. Collectively, this enables the Group to perform proactive management of key risks and controls. This enhances the Group's reporting and monitoring capabilities and also cultivates a risk culture of accountability and ownership. As the third LOD, Group Integrated Audit (GIA) provides independent assurance across financial, operational, compliance and IT risks through a series of walkthroughs and substantive testing. Management works closely with GIA in closing out all material issues and gaps in a timely manner to ensure that there is continual improvement to our risk and controls environment, as well as an effective feedback loop to the first and second LODs. External audit considers internal controls relevant to the preparation of financial statements to ensure they give a true and fair view.

The ERM framework and IAF are also complemented by a Management Control Assessment, which is a rigorous management attestation process submitted quarterly by each market and business unit to provide the assurance that its risk management and internal control system is adequate and effective. The submissions and responses are further validated through substantive review by the business lines, subject matter experts and corporate functions as an added layer of assurance.

During the year, the Group's risk profile was reviewed and updated. The adequacy and effectiveness of the Group's risk management and internal controls were also assessed and enhanced through a combination of management control assessment and integrated audits, as well as actions taken as a follow up to these exercises.

 For more information on the company's ERM framework, please refer to our website.

For the financial year under review, the board has been assured by the Group President & CEO and Group CFO that financial records have been properly maintained, the financial statements give a true and fair view of the company's operations and finances, and the risk management and internal control systems of the Group are adequate and effective.

The board, with the concurrence of the Audit Committee, is of the opinion that the company's internal controls and risk management systems are adequate and effective as at December 31, 2018 to address the financial, operational, compliance and IT risks of the Group. This assessment is based on the risk management and internal controls established and maintained by the Group, work performed by external and internal auditors and reviews performed by senior management. Internal controls, because of their inherent limitations, can provide reasonable but not absolute assurance regarding the achievement of their intended control objectives. In this regard, the board will ensure that should any significant internal control failings or weaknesses arise, necessary remedial actions will be swiftly taken.

The IAF is expected to be implemented for all key markets by end of 2019. The Audit Committee, supported by the Risk Committee, oversees the IAF and its implementation.

Audit Committee (Principle 12)

The Audit Committee (AC) comprises independent, non-executive directors. The AC is chaired by Mr Yap. He is joined by Dr Teh, Mr Haridass as well as Mr Asherson. Mr Asherson was appointed to the AC on May 1, 2018. Mr Tham, who served on the AC since August 2013, relinquished his membership on May 1, 2018 and joined the ExCo and ERCC.

The AC does not have any member who was a former partner or director of the company's external auditors, KPMG, within the last 12 months, or who holds any financial interest in KPMG.

Authority and duties of the AC

The AC assists the board in discharging its statutory and other responsibilities on internal controls, financial and accounting matters, operational and compliance controls, and business and risk management practices of the Group. The AC has established terms of reference approved by the board and has explicit authority to investigate any matter as per its terms of reference. Its main responsibilities are to:


- Review the company's policies, control procedures and accounting practices with external auditors, internal auditors and management
- Review and act in the interest of the shareholders in respect of interested person transactions (IPT), as well as any matters or issues that affect the financial performance of the Group
- Review the quarterly, half-year and full-year results announcements, accompanying press releases and presentation slides, as well as the financial statements of the Group and the adequacy and accuracy of information disclosed prior to submission to the board for approval

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

Where relevant, the AC is guided by the recommended best practice for audit committees, set out in the revised Guidebook for Audit Committees issued by Singapore's Audit Committee Guidance Committee.

Key audit matters


The AC discusses the key audit matters with the management and external auditors on a quarterly basis to ensure that they are appropriately dealt with. The AC concurs with the basis and conclusions included in the auditor's report with respect to the key audit matters.

 For more information on the key audit matters, please refer to pages 145 to 153 of this annual report.

External auditors


Each year, the AC reviews the independence of the company's external auditors and makes recommendations to the board on their re-appointment. During the year, the AC reviewed the performance of the external auditors using audit quality indicators recommended by ACRA as reference.

The AC reviews and approves the external audit plan to ensure the adequacy of the audit scope. 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. It has reviewed the nature and extent of non-audit services provided by the external auditors to the Group for the year, excluding services provided to Sembcorp Marine, a listed subsidiary that has its own audit committee. The AC is satisfied that the independence of the external auditors has not been impaired by their provision of non-audit services. Accordingly, the AC has recommended the re-appointment of the external auditors at the forthcoming AGM.

 Details of non-audit fees payable to the external auditors are found in Note 31(a) in the Notes to the Financial Statements in this annual report.

Whistle-blowing policy

The AC oversees the Group's Whistle-blowing Policy which has been implemented to strengthen corporate governance and ethical business practices across all markets, business lines and functional units. Employees are provided with accessible channels to report suspected fraud, corruption, dishonest practices or other misdemeanours to the Group's integrated auditors and are protected from reprisal to the extent possible. This aims to encourage the reporting of such matters in good faith. In 2018, GIA rolled out a whistle-blowing portal on the internet. This whistle-blowing portal has a pre-defined set of questions to guide whistle-blowers in providing the required information / documents in reporting their concerns and also to allow the investigation team to maintain communication.

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

Internal Audit (Principle 13)**Independent integrated audit function**

The integrated audit function is an important third line of defence for the company and a key component of the overall assurance framework.

The Group Integrated Audit (GIA) department provides assurance to the AC that risk management and internal control systems are in place to manage and govern key aspects of the Group's businesses, including our financial, operational, compliance and IT systems.

GIA has enhanced its audit approach by linking its integrated audit plan with the ERM framework and integrating operational and financial audits. Subject matter specialists were seconded from relevant departments to GIA for the purposes of these integrated audits. GIA is also deepening its capabilities in the areas of operations, IT, and workplace health, safety and environment audits. The GIA team has unrestricted access to all personnel, documents, accounts and property, records and correspondence and other data of the company. The auditors also have the right to enter any premises of the Group and to request any officer to furnish all information and such explanations deemed necessary for them to form an opinion on the probity of action and adequacy of systems and / or controls.

The Head of GIA reports directly to the AC and administratively to the Group President & CEO. The AC participates in the appointment, replacement or dismissal, as well as evaluation and compensation of the Head of GIA.

The AC reviews the proposed scope and performance of the GIA function, audit findings and management responses, and the Group's Integrated Audit Plan to ensure that it is comprehensive and to enable the effective and regular review of all activities within the purview of GIA. It ensures that no limitation on audit has been imposed. Integrated audit summary of findings and actions taken are reviewed and discussed at AC meetings.

Professional standards and competency

GIA comprises members with relevant qualifications and experience and the integrated audit is carried out based on the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

Shareholder Rights and Responsibilities**Shareholder Rights (Principle 14)**

Sembcorp treats all shareholders fairly and equitably. The company recognises, protects and facilitates the exercise of shareholders' rights and continually reviews and updates such governance arrangements.

The company is committed to ensuring that all shareholders have easy access to clear, reliable and meaningful information in order to make informed investment decisions. The company regularly communicates major developments in our business operations via SGXNet, press releases, circulars to shareholders and other appropriate channels. The company also encourages shareholder participation and voting at general meetings of shareholders.

Communication with Shareholders (Principle 15)**Regular, effective and fair communication with shareholders**

Sembcorp advocates high standards of corporate transparency and disclosure. This commitment is embodied in the company's Investor Relations Policy which adheres to fair disclosure principles and emphasises active dialogue and engagement with shareholders, investors and analysts.

Disclosure of information on a timely basis

Sembcorp makes every effort to ensure that shareholders and capital market players have easy access to clear, meaningful and timely information on the company in order to make informed investment decisions. To do this, various channels including announcements, press releases, shareholder circulars and annual reports are utilised. All price-sensitive and material information is disseminated via SGXNet on a non-selective basis and in a timely and consistent manner. The company's announcements are also uploaded to the company website, www.sembcorp.com, after dissemination on SGXNet.


The quarterly results release date is disclosed at least two weeks prior to the announcement date via SGXNet. On the date of announcement, the financial statements as well as the accompanying press release and presentation slides are released via SGXNet and the company website. Thereafter, a briefing or teleconference by management is jointly held for the media and analysts. For half-year and full-year results announcements, results briefings are concurrently broadcast live via webcast. Investor relations officers are available by email or telephone to answer questions from shareholders and analysts as long as the information requested does not conflict with the SGX-ST's rules of fair disclosure.

The company also maintains a dedicated investor relations section on our company website to cater to the specific information needs of shareholders, investors, analysts and the financial community. Designed to provide a convenient repository for investors' information needs, the site includes filings on the company's results announcements since the company's listing in 1998, an archive of the company's results briefing webcasts, downloadable five-year financial data, a calendar of upcoming events, as well as pertinent stock information such as dividend history, share price charts and analyst coverage. Investor relations contact information is also displayed on the website for direct shareholder enquiries.

Establishing and maintaining regular dialogue with shareholders

Sembcorp employs multiple communication platforms to engage with our shareholders. In addition to our results briefings, the company also maintains regular dialogue with our shareholders through investor-targeted events such as AGMs, roadshows, conferences, site visits, group briefings and one-on-one meetings. These platforms offer opportunities for senior management and directors to interact first-hand with shareholders, understand their views, gather feedback and address concerns.

To keep senior management and the board abreast of market perception and concerns, the investor relations team provides regular updates on analyst consensus estimates and views. On an annual basis, a more comprehensive update is presented, which includes updates and analysis of the shareholder register, highlights of key shareholder engagements for the year as well as market feedback.

 For further details on Sembcorp's communications with its shareholders, please see the *Investor Relations* chapter on pages 128 and 129 of this annual report.

Dividend policy

Sembcorp is committed to achieving sustainable income and growth to enhance total shareholder return. The Group's policy aims to balance cash return to shareholders and investment for sustaining growth, while aiming for an efficient capital structure. The company strives to provide consistent and sustainable ordinary dividend payments to our shareholders, and the practice is to consider declaring dividends on a biannual basis.

Conduct of Shareholder Meetings (Principle 16)

Greater shareholder participation at general meetings

All shareholders are invited to participate in the company's general meetings.

The company disseminates information on general meetings through notices in our annual reports or circulars. These notices are also released via SGXNet, published in local newspapers and posted on the company website ahead of the meetings to give ample time for shareholders to review the documents. In line with the company's commitment towards environmental responsibility, the company stopped distributing our annual report and circular via CD-ROM since 2018. The company's annual reports and circulars are available on our website. Shareholders are encouraged to read the annual report on the company website. A booklet containing the Request Form, Notice of AGM and Proxy Form will be sent to shareholders, informing them that the annual report is available online and directing them to where they may view it. However, we are mindful that some shareholders may prefer to receive a printed copy and this will be provided upon request.

The company's constitution allows all shareholders the right to appoint up to two proxies to attend, speak and vote at general meetings on their behalf. Under the new multiple proxy regime, "relevant intermediaries", such as banks, capital markets services licence holders that provide custodial services for securities and the Central Provident Fund Board (CPF), 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, facsimile or email is currently not permitted. Such voting methods would need to be cautiously evaluated for feasibility to ensure that there is no compromise to the integrity of the information and the authenticity of the shareholders' identities.

The Group President & CEO delivers a short presentation to shareholders at each AGM to update them on the performance of Sembcorp's businesses. Every matter requiring approval at a general meeting is proposed as a separate resolution. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolutions before the resolutions are voted on. The board and management are in attendance to address these queries or concerns and obtain feedback from shareholders. External auditors and legal advisors are also present to assist the board as necessary.

The company conducts electronic poll voting at shareholder meetings for greater transparency in the voting process. Shareholders are informed of the voting procedures governing such meetings. An independent scrutineer is engaged to review the electronic poll voting system and proxy verification process during the meetings to ensure that the information is compiled adequately and procedures are carried out effectively. The total number of votes cast for or against each resolution is tallied and displayed live on-screen to shareholders immediately after the vote has been cast. Voting results will also be announced after the meetings via SGXNet.


The company secretary records minutes from these shareholder meetings, including relevant comments or queries from shareholders and responses from the board and management. The minutes are available upon request by shareholders.

Dealings in securities

The company has adopted a Code of Compliance on Dealing in Securities, which prohibits dealings in the company's securities by our directors and senior management within two weeks prior to the announcement of the company's financial statements for each of the first three quarters of our financial year and within one month prior to the announcement of the company's full-year financial statements. A Policy on Prevention of Insider Trading has also been implemented and directors and employees are advised to be mindful to observe insider trading laws at all times, even when dealing in the company's securities outside the prohibited trading period. They are also reminded not to deal in the company's securities on short-term considerations.

Interested person transactions

Shareholders have adopted an interested person transaction (IPT) mandate in respect of interested person transactions of the company. The IPT mandate defines the levels and procedures to obtain approval for such transactions. Information regarding the IPT mandate is available on the staff intranet. The company also has an internal policy and procedure to manage and capture any interested person transactions. 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 interested person transactions to the company for review and approval by the AC. The Group maintains a register of the company's interested person transactions in accordance with the reporting requirements stipulated by Chapter 9 of the SGX-ST Listing Manual.

 Information on interested person transactions for 2018 may be found in the related item under the *Supplementary Information* section of the financial statements on page 330.


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

Code of Conduct

In maintaining an effective governance and effective decision-making structure, the Group Code of Conduct was revised and implemented in 2018. The Group President & CEO regularly talks about the code in key internal meetings, which demonstrates the tone at the top in the organisation. All employees and directors of the organisation were trained on the code and its key policies.

Governance disclosure guide

In line with Sembcorp's commitment to high standards of corporate governance and disclosure, the company has completed a questionnaire with reference to the disclosure guide developed by the Singapore Exchange in 2015.

 The company's responses to the disclosure guide may be found on pages 334 to 345 of this annual report