

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. We are committed to high standards of governance to create, preserve and maximise long-term value for all its stakeholders.

This report sets out the company’s corporate governance processes and activities for the financial year 2019 with reference to the principles set out in the new Singapore Code of Corporate Governance 2018 (the Code), which is applicable to this corporate governance statement. The board is pleased to report that the company has complied in all material aspects with the principles and provisions set out in the Code, and any deviations are explained in this report.

We constantly review and refine our processes in light of best practice, consistent with the needs and circumstances of the Group. Sembcorp ranked sixth in the 2019 edition of the Singapore Governance and Transparency Index, which is the leading index for assessing corporate governance practices of nearly 600 Singapore listed companies. At the Singapore Corporate Awards 2019, Sembcorp also won the gold award for Best Investor Relations 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. Headed by Ang Kong Hua and directed by Group President & CEO Neil McGregor, there are 12 members on the board.

Non-Executive Independent Directors

Ang Kong Hua
Chairman

Tan Sri Mohd Hassan Marican
Tham Kui Seng
Dr Teh Kok Peng
Ajaib Haridass
Nicky Tan Ng Kuang
Yap Chee Keong
Jonathan Asherson OBE
Dr Josephine Kwa Lay Keng

Executive Director

Neil McGregor
Group President & CEO

Non-Executive & Non-Independent Directors

Margaret Lui
Nagi Hamiyeh (*appointed March 3, 2020*)

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 with a focus on value creation, innovation as well as 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, financial performance reviews, risk management and corporate governance practices; and
- Provide guidance on sustainability issues such as environmental, social and governance factors, as part of the Group’s overall business strategy.

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

Temasek Holdings (Temasek), Sembcorp’s substantial shareholder, is an engaged shareholder. It promotes sound corporate governance practices in its portfolio companies. This includes the formation of high calibre, experienced and diverse boards to guide and complement management leadership. It does not direct its portfolio companies’ business decisions or operations.

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Delegation by the board

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 (AC)
- Risk Committee (RC)
- Executive Resource & Compensation Committee (ERCC)
- Nominating Committee (NC)
- Technology Advisory Panel (TAP)

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

The composition of the board committees is structured to ensure an equitable distribution of responsibilities among board members, 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 AC and RC, with their respective oversight roles, are mutually exclusive.

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.

The roles and responsibilities as well as key activities of each of the board committees are explained in this corporate governance statement. The composition of these board committees for 2019 is set out below.

Executive Committee **E**

The five-member ExCo is chaired by Mr Ang.

Ang Kong Hua
Chairman

Neil McGregor
Margaret Lui
Tham Kui Seng
Nicky Tan Ng Kuang

The ExCo assists the board in developing the overall strategy for the Group and supervises, on behalf of the board, the management of the Group's business and affairs. Under its terms of reference, the ExCo:

- Reviews and approves business opportunities, major contracts, strategic investments and divestments of the Group that are within the financial authority limits delegated by the board, as well as the Group's investment and treasury policies;
- Evaluates and recommends to the board for approval, investments, capital and operating expenditures, and divestments that are above the financial authority limits; and
- Reviews the performance of the Group's new investments or projects against the approved financial model periodically.

Technology Advisory Panel **T**

The TAP, chaired by Mr Ang, comprises seven members where two of whom are co-opted members.

Ang Kong Hua
Chairman

Neil McGregor
Dr Teh Kok Peng
Jonathan Asherson OBE
Dr Josephine Kwa Lay Keng
Prof Ng How Yong
(co-opted member)
Prof Lui Pao Chuen
(co-opted member)

 Profiles of the TAP members are found on pages 49 and 50.

Composition of Board Committees for 2019

Board member	E ExCo	A AC	R RC	C ERCC	N NC	T TAP
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	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		Member	Member			Member
Dr Josephine Kwa Lay Keng						Member

Directors' Attendance at Board and Board Committee Meetings in 2019

Board member	Board	E ExCo	A AC	R RC	C ERCC	N NC	T TAP	AGM
Total number of meetings held in 2019	8	6	5	4	4	2	4	1
Ang Kong Hua [^]	7*	5*	–	–	4	2	3*	1
Neil McGregor	8	6	–	–	–	–	4	1
Margaret Lui	8	6	–	–	4	2	–	1
Tan Sri Mohd Hassan Marican	8	–	–	–	4	2	–	1
Tham Kui Seng	8	6	–	–	4	–	–	1
Dr Teh Kok Peng	7*	–	5	4	–	–	4	1
Ajaib Haridass [^]	8	1 [^]	5	4	–	–	1 [^]	1
Nicky Tan Ng Kuang	7*	6	–	–	4	2	–	1
Yap Chee Keong	8	–	5	4	–	–	–	1
Jonathan Asherson OBE	8	–	5	4	–	–	4	1
Dr Josephine Kwa Lay Keng	7*	–	–	–	–	–	4	1

* Even though directors could not attend, they conveyed their views / comments for consideration prior to the meetings they did not attend

[^] Mr Haridass chaired the ExCo and TAP meetings on behalf of Mr Ang during his medical leave

The principal responsibilities of the TAP are to:

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

Meetings and attendance

The board meets regularly to review and approve the release of the company's financial results as well as to deliberate on key activities and business strategies, including significant acquisitions, disposals and operational matters, and to 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. In addition, time is set aside for the board to discuss management performance. Members of management are not present at, or privy to, such discussions.

Ad-hoc board meetings may be convened as necessary to consider other specific matters. An annual 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 2019, this off-site meeting was held in Vietnam.

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, with the aim to have full attendance for all meetings. Directors who are unable to attend physically are allowed, under the company's constitution, to participate remotely through voice calls or video conferencing. 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 will have the opportunity to separately convey 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. 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.

The directors' attendance at board and committee meetings held during the financial year 2019 is set out above.

Board orientation and training

All new directors receive formal letters of appointment explaining the Group's governance policies and practices,

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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, 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 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, macro view of the global environment and updates to the Singapore 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 2019, 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 AC meetings;
- Quarterly updates on the Group's business and strategic developments presented by the Group President & CEO to the board;
- Update on the Integrated Assurance Framework presented by the Group Integrated Audit and Group Risk departments to the AC;

- Quarterly overviews presented by the Group Risk department to the RC and AC on the Group's risk and controls environment and updates relating to risk management initiatives and key emerging threats, such as the heightened risk of cyberattacks;
- Biannual briefings by the Group Strategic Communications and Sustainability department to the RC on sustainability matters;
- Presentation on digital strategy and roadmap by the Group Digital & Technology department to the board;
- Presentation on cybersecurity performance by the Group Digital & Technology department to the AC;
- Quarterly updates on our cyber posture, KPIs and road map by the Group Digital & Technology department to the AC; and
- Public conferences, forum discussions and briefings on topics such as financial and accounting fraud, offshore & marine outlook, digital transformation and cyber resilience, developments in exponential technologies and its social impacts, challenges and issues in corporate governance, as well as the roles and skillsets of board members.

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

In 2019, the directors visited our facilities and industrial parks in Vietnam, where they also met with government officials as well as key customers and partners.

They witnessed the signing ceremony of the joint venture agreement with our key partner, Becamex IDC Corporation, to introduce a new generation of sustainable smart energy solutions to the market. Directors also visited Sembcorp Marine's state-of-the-art Tuas Boulevard Yard in Singapore to understand the yard's work-efficient design and integrated centralised facilities.

Complete, adequate and timely information

The company recognises that directors should be provided with complete, adequate and timely information to enable them 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 on a quarterly basis at board meetings. 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 to address any queries that the directors may have.

As part of Sembcorp's commitment towards environmental protection, directors are provided with electronic tablets to access board and board committee papers prior to and during meetings, in order to reduce paper consumption. As a general rule, all relevant board papers are made available to directors a week prior to meetings. This is to give directors sufficient time to review and consider matters at hand. It also facilitates more focused discussions from matters arising during meetings. Should the board require additional information or consultation, they have ready and independent access to the Group President & CEO, Group CFO, senior management, the company secretary, internal and external auditors, and counsel at all times.

Director Experience / Skills Matrix

	Industry experience	Senior management experience	Strategic planning	Accounting & Finance	Legal	IT	R&D	Risk management	HR management
Experience / Skills									
Ang Kong Hua	✓	✓	✓	✓		✓	✓	✓	✓
Neil McGregor	✓	✓	✓	✓		✓	✓	✓	✓
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	✓	✓	✓	✓		✓	✓	✓	✓
Dr Josephine Kwa Lay Keng	✓	✓	✓	✓		✓	✓	✓	✓
Nagi Hamiyeh	✓	✓	✓	✓		✓		✓	✓

Company Secretary

The appointment and removal of the company secretary are subject to the board's approval. The company secretary assists the Chairman to ensure good flow of information within the board and its committees as well as between the board and senior management. In addition, the company secretary attends to corporate and administrative matters, 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 and prepares meeting agendas. The company secretary also administers, attends and minutes board proceedings.

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

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

Board Composition and Guidance (Principle 2)

Independence and diversity of the board

Board composition and diversity

The company sees diversity at the board level as essential towards the achievement of its strategic objectives, and has put in place a Board Diversity Policy which sets out principles to maintain diversity on board composition, as well as to ensure effective decision making and governance of the company and its businesses.

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

The board is of the view that the directors as a group provide an appropriate balance and mix of skills, knowledge and experience, as well as other aspects of diversity such as gender and age.

The current board comprises 12 directors including nine independent directors. With the exception of the Group President & CEO, all directors are non-executive and independent of management in terms of character and judgement. This helps to assure objectivity on issues deliberated.

 Profiles of the directors are found on pages 44 to 48.

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Review of directors' independence

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

In 2019, all directors except Mr McGregor and Mrs Lui declared themselves to be independent. As a result of the disclosures received, the board also assessed the independence of Tan Sri Mohd Hassan, Mr Tham, Mr Haridass and Dr Kwa as elaborated below. The board has determined that with the exception of Mr McGregor and Mrs Lui, all members of Sembcorp's board for 2019 are independent.

Mr McGregor is the Group President & CEO and an executive director of Sembcorp. Mrs Lui is CEO of Azalea Investment Management, a subsidiary of Temasek, which is a substantial shareholder of the company.

Tan Sri Mohd Hassan is an independent director of Sembcorp Marine, a listed subsidiary of the company from which the company received payment in excess of S\$200,000 in aggregate for consultancy services and provision of utilities services. Mr Haridass has been an independent director of Sembcorp Marine till his retirement on April 18, 2018. Mr Tham was a non-executive director of Sembcorp Design and Construction (SDC), formerly a wholly-owned subsidiary, from which the company received payment in excess of S\$200,000 for consultancy services. Mr Tham retired from the

board of SDC on October 24, 2019 before the company divested SDC in December 2019.

The board has assessed these matters and is of the view that the payment received from these subsidiaries is not significant in the context of the Group's earnings. The board believes that Tan Sri Mohd Hassan, 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 the company.

Tan Sri Mohd Hassan is also a Senior International Advisor of Temasek International Advisors, a subsidiary of Temasek. His role as advisor at Temasek International Advisors is non-executive in nature and he is not involved in its day-to-day conduct of business. He is also not accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Temasek. The board believes that Tan Sri Mohd Hassan has acted and will continue to act in the best interests of Sembcorp.

Dr Kwa is a director of the Agency for Science, Technology and Research (A*STAR), with which Sembcorp is jointly researching R&D projects mainly under the Sembcorp-EMA Energy Technology Partnership for which the company has made payment in excess of S\$200,000 for project costs. A*STAR has also undertaken several research projects with Sembcorp Marine for which Sembcorp Marine has made payment in excess of S\$200,000. The board is of the view that the amount paid to A*STAR is insignificant in the context of the Group's earnings and Dr Kwa's directorship on A*STAR will not interfere with her ability to exercise independent judgement and act in the best interests of Sembcorp.

Under the Code, any director serving more than nine years will not be independent unless his / her continued

appointment as an independent director has been sought and approved in separate resolutions by (a) all shareholders, and (b) all shareholders, excluding shareholders who also serve as directors or the CEO or their associates. However, as transition, Guideline 2.4 of the 2012 Code of Corporate Governance continues to apply till December 31, 2021, where 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 2019, Mr Ang and Tan Sri Mohd Hassan have served 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. They have accumulated deep knowledge of the business of Sembcorp and made valuable contributions to the board, particularly to the management team and especially during this transformation period that the Group is undergoing. The board is of the opinion that their length of service has not affected the independence of either director, and that their institutional knowledge is advantageous to the Group. Therefore, after a rigorous and thorough review, the NC recommended to the board that Mr Ang and Tan Sri Mohd Hassan shall remain independent despite serving more than nine years on the board, and the board concurred. Both Mr Ang and Tan Sri Mohd Hassan recused themselves from the discussion and decision making.

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, greater accountability and increased capacity for independent decision-making.

The Chairman helms the board, ExCo, ERCC, NC and the TAP. He chairs all general meetings and plays a pivotal role in fostering constructive dialogue between shareholders, the board and management.

The Chairman leads and ensures effective and comprehensive discussion on relevant matters including strategic issues and business planning. He ensures that board and board committee meetings are conducted in a manner that promotes open communication, participation and decision making. He provides advice to management and monitors all follow-up actions, ensuring that board decisions are translated into executive action. In addition, the Chairman provides leadership and guidance to management, particularly with regard to global growth strategies and project investments. As chairman of the ERCC, and in collaboration with the Group President & CEO, he oversees the Group's talent management and ensures that robust succession plans are in place for key management positions.

The Group President & CEO makes strategic proposals to the board. He develops and manages the company's businesses in accordance with board approved strategies, policies, budgets and business plans, and ensures accountability while providing guidance and leadership to key management personnel.

The board has ascertained that there is a strong element of independence

on the board and there is no necessity to appoint a lead independent director, as nine out of 12 directors, including the Chairman, are independent.

Board Membership (Principle 4)

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

Nominating Committee ^N

The NC, chaired by Mr Ang, comprises four members:

Ang Kong Hua
Chairman & Independent Director

Margaret Lui
Non-Executive &
Non-Independent Director

Tan Sri Mohd Hassan
Independent Director

Nicky Tan Ng Kuang
Independent Director

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. 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 or re-elections to the board and board committees as appropriate;
- Review the directors' independence and succession plans for the board;
- Develop an evaluation process and criteria for the board and board committees' performance; and

- Review training and professional development programmes for the directors.

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, taking into account the individual's skills, experience, and knowledge, as well as competencies which support the Group's strategies and business plans. They must also be able to discharge their responsibilities while upholding the highest standards of governance practised by the Group.

The board recognises the contributions of directors who have over time, developed deep insights into the Group's businesses. It exercises discretion to retain the services of such directors where appropriate, to avoid an abrupt loss of experienced directors with a valuable understanding of the Group.

When the need for a new director arises, the NC consults with the board and management and identifies a shortlist of potential candidates. Candidates are sourced through an extensive network of contacts and appropriate external databases. Criteria include skill sets, experience, age, gender, educational and professional background, length of service and other relevant personal attributes. The NC interviews candidates and makes its recommendations for the board's approval.

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

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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 18, 2019	Non-executive / Independent
Tham Kui Seng	Director	Jun 1, 2011	Apr 18, 2019	Non-executive / Independent
Dr Teh Kok Peng	Director	Oct 15, 2012	Apr 20, 2018	Non-executive / Independent
Ajaib Haridass	Director	May 1, 2014	Apr 18, 2019	Non-executive / Independent
Nicky Tan Ng Kuang	Director	Nov 1, 2015	Apr 18, 2019	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	Apr 18, 2019	Non-executive / Independent
Nagi Hamiyeh*	Director	Mar 3, 2020	N.A.*	Non-executive / Non-independent

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

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

Pursuant to the one-third rotation rule, Mr Ang, Mr McGregor, Mrs Lui and Mr Yap will retire and, with the exception of Mrs Lui, have offered themselves for re-election at the forthcoming AGM. Mrs Lui, who was appointed in June 2010, is not seeking re-election and is retiring at the forthcoming AGM in April 2020.

Mr Hamiyeh, who was newly appointed to the board on March 3, 2020, will also retire and has offered himself for re-election 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.

The dates of first appointment, last re-election / re-appointment of board members are set out above.

Review of directors' time commitments

While reviewing the re-appointment and re-election of directors, the NC also considers the directors' other

board representations and principal commitments to ensure they have sufficient time to discharge their responsibilities to the board and Sembcorp adequately. The board has adopted an internal guiding principle that seeks to address competing time commitments that may be faced when a director holds multiple directorships. As a general rule, the board has determined that any Sembcorp director should not hold more than five listed company directorships. However, the board recognises that the individual circumstances and capacity of each director are unique and there may be instances in which the limit on board appointments may differ as appropriate.

For 2019, 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 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 in the effectiveness of the board and board committees, and the requisite follow-up actions. The assessment helps the directors to maintain focus on their key responsibilities, while improving board performance.

To facilitate this process, 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 including the size and composition of the board and board committees, 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. Assessments and feedback are consolidated and presented to the board for discussion. The NC periodically reviews and refines the directors' questionnaire to enhance the evaluation process.

For 2019, 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 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 ERCC, chaired by Mr Ang, consists of five members.

Ang Kong Hua
Chairman & Independent Director

Margaret Lui
Non-Executive & Non-Independent Director

Tan Sri Mohd Hassan
Independent Director

Tham Kui Seng
Independent Director

Nicky Tan Ng Kuang
Independent Director

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, as well as reviewing succession plans for key management personnel. Key responsibilities are to:

- Assist the board by ensuring that competitive remuneration policies and practices for the company and management are in place, and aligned with the prevailing economic environment;
- Review the Directors' Fee Framework and remuneration package of each member of key management periodically, and endorse or make

further recommendations on such matters to the board for its consideration;

- Establish guidelines on share-based incentives and other long-term incentive plans and approve the grant of such incentives to key management personnel. 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; and
- Review 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 director is involved in deliberations involving 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 the need arises. In 2019, Aon Hewitt (Singapore) was engaged as external consultants 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 rigour of the compensation framework design and its application for executives. 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 latter. In 2019, the ERCC undertook a review of the independence and objectivity of Aon Hewitt (Singapore)

and confirmed that the Group had no relationship with the firm that would affect 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, sound leadership for the Group. Each year, the ERCC reviews succession planning for the position of Group President & CEO, for officers reporting directly to him, as well as 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 7)

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

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

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

Directors' Fee Framework for FY2019*

S\$

Retainer fee (per annum)

Chairman (all-in fee) ¹	750,000
Director's basic retainer	75,000
Chairman, Executive Committee	50,000
Chairman, Audit Committee	50,000
Chairman, Risk Committee	35,000
Chairman, Executive Resource & Compensation Committee	35,000
Chairman, Nominating Committee	25,000
Chairman, Technology Advisory Panel / Others	25,000
Member, Executive Committee	30,000
Member, Audit Committee	30,000
Member, Risk Committee	20,000
Member, Executive Resource & Compensation Committee	20,000
Member, Nominating Committee	15,000
Member, Technology Advisory Panel / Others	15,000

Attendance fee (per meeting)

Board meeting (Local) ²	2,500
Board meeting (Overseas) ²	5,000
Committee / General meeting (Local) ²	1,500
Committee / General meeting (Overseas) ²	3,000
Committee / AGM & EGM (flat fee) ³	1,000

Teleconference (per meeting)

Board meeting	1,500
Board committee meeting	1,000
General meeting	1,000

Notes:

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

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

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

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

 Details of the share-based incentives and performance targets are available in the *Directors' Statement on pages 106 to 116 and Note H1 in the Notes to the Financial Statements.*

Non-executive directors' fees

An independent review of the Directors' Fee Framework was conducted in 2018 by our external consultants,

Willis Towers Watson. The board adopted a new fee framework which aligned to the market from financial year 2018.

The framework above 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.

The directors' fees payable to non-executive directors are paid in cash and in share awards under the restricted share plan. 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. 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.

Share awards granted under the restricted share plan 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 SGX-ST listing rules. A non-executive director may only dispose of all of his shares one year after leaving the board. Subject to shareholders' approval at the forthcoming AGM, the cash component of the directors' fees for the financial year 2020 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 competitive compensation to attract, retain and motivate employees to deliver high-level performance in accordance with the company's risk policies. Further, the level and mix of the variable remuneration component is structured to ensure that the total remuneration for key management personnel is strongly aligned to the financial performance and returns delivered to shareholders. The 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 2019.

- **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. At an individual level, the performance target bonus will vary according to the actual achievement of the Group, business unit and 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. The carried-forward balances of the bonus bank may be either reduced or increased in future, based on the yearly EVA performance of the company and its subsidiaries. There are provisions in the EVA incentive plan to allow for forfeiture of the outstanding balances in the bonus bank in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the company.

- **Share-based incentives**
The company's 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 Group President & CEO and top management will, under the renewed Share Plan, be required to hold shares equivalent to a minimum of 200% and 100%, respectively, of their annual base salaries to align their interest with the shareholders.

The size of the restricted share awards granted in 2019 is based on the achievement of stretched financial and non-financial targets, with emphasis on organisational transformation to meet future challenges and adherence to environment, health and safety standards.

The restricted shares awarded in 2019 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 2019 were based on Total Shareholder Return, Return on Equity (excluding Sembcorp Marine), Total Renewables Capacity and implementation of digital initiatives to support the organisational transformation efforts. The grant will have a three-year performance period from January 1, 2019 to December 31, 2021. 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 in 2019 will vest in two tranches, 50% vesting in March 2022 and 50% vesting in March 2023, contingent on satisfactory individual performance of the recipient for the financial year preceding each tranche of vesting, and continued employment with the Group.

As the duration of the company's performance share plan and restricted share plan is 10 years commencing on the date of adoption on April 22, 2010, these existing plans are due to expire on April 21, 2020. The company is proposing to adopt new Sembcorp Industries Performance Share Plan 2020 and Sembcorp Industries Restricted Share Plan 2020 to replace these existing plans following their expiry at the forthcoming AGM.

Pay for performance

As in prior years, a pay-for-performance study was conducted in 2019 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 showed a robust correlation with the Group's key financial performance drivers, including profit from operations and net income. 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 8)

Based on the Directors' Fee Framework, the computation of non-executive directors' fees totalled S\$2,285,833 in 2019 (2018: S\$2,206,333).

In 2019, the company had no employees who were immediate family members of a director or the Group President & CEO.

 [More information on directors' and key executives' remuneration can be found on pages 271 and 272.](#)

Accountability and Audit

The board is accountable to shareholders

Sembcorp is committed to open and honest communication with shareholders at all times. The company presents a balanced and clear assessment of the Group's performance, position and prospects to shareholders through the timely release of our financial results. The company believes that prompt compliance with statutory reporting requirements is imperative to maintaining shareholders' confidence and trust in the company. In line with SGX-ST requirements, negative assurance statements were issued by the board in 2019 to accompany the Group's quarterly results announcements, confirming that to the best of its knowledge, nothing had come to its attention which would render the 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 9)

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 RC assists the board in overseeing risk management for the Group. Headed by Mr Haridass, all the four RC members are non-executive and independent directors.

Ajaib Haridass
Chairman

Dr Teh Kok Peng
Yap Chee Keong
Jonathan Asherson OBE

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 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; and
- Review infrastructure and resources in place to support the management of risk including 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 company website.

The Group has made good progress in transitioning from 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 LOD 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, as the first LOD, are adopting and implementing the IAF. This 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 as well as updating of the new risk and control registers. Clear escalation procedures, consequence management framework and key risk indicators in line with the Group's risk appetite were developed concurrently as part of the IAF methodology. Together, these enable the Group to proactively manage key risks and controls. This enhances the Group's reporting and monitoring capabilities and 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 continual improvement of our risk and controls environment, as well as an effective feedback loop to the first and second LOD. External audit considers internal controls relevant to the preparation of financial statements to ensure they give a true and fair view.

The ERM framework and IAF are further complemented by a Management Control Assessment, which is 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 company website.](#)

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

Corporate Governance Statement

The board, with the concurrence of the AC, is of the opinion that the company's internal controls and risk management systems are adequate and effective as at December 31, 2019 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 in the final stages of implementation for all key markets. The AC, supported by the RC, oversees the progress of the IAF implementation.

Audit Committee **A** (Principle 10)

Chaired by Mr Yap, the four AC members are as follows:

Yap Chee Keong
Chairman & Independent Director

Dr Teh Kok Peng
Independent Director

Ajaib Haridass
Independent Director

Jonathan Asherson OBE
Independent Director

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) falling within the scope of Chapter 9 of the SGX-ST Listing Manual, as well as any matters or issues that affect the financial performance of the Group; and
- Review the financial 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 functions 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 concurred with the basis and conclusions included in the auditor's report for the financial year 2019 with respect to the key audit matters.

 *For more information on the key audit matters, please refer to pages 117 to 125.*

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. In accordance with SGX-ST Listing Rule 713(1), Ling Su Min, the audit partner who was in charge from financial years 2014 to 2018, has retired and Koh Wei Peng has been appointed the new audit partner for the financial year 2019.

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 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 excluding services provided to Sembcorp Marine, a listed subsidiary which 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 B4(a) in the Notes to the Financial Statements.*

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. The AC oversees the outcome of independent investigations and ensures remedial actions are followed on.

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

Internal Audit

Independent integrated audit function

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

The GIA function 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 aligning its integrated audit plan with the IAF through integrating operational, technological and financial audits. Subject matter specialists were seconded from relevant functions 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, security 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. Auditors also have the right to enter any premises of the Group and to request that any officer furnishes all information and such explanations deemed necessary for the audit team 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 independence, adequacy and effectiveness of the GIA function and processes, as well as ensures that GIA is adequately resourced and set up to carry out its functions.

On a quarterly basis, 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.

The AC is satisfied that the GIA team is effective, independent and has appropriate standing within the company.

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 Engagement

Shareholder Rights and Conduct of General Meetings (Principle 11)

Fair and equitable treatment of shareholders

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.

Conduct of General Meetings

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

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 these are voted on. The board and management are in attendance to address any queries or concerns and obtain feedback from shareholders. External auditors and legal advisors are also present to assist the board where necessary.

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 www.sembcorp.com 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 no longer distributes our annual reports and circulars via CD-ROM. Instead, annual reports and circulars are available on our company website and shareholders are encouraged to access these online. A booklet containing the Request Form, Notice of AGM / EGM and Proxy Form will be sent to shareholders, informing them that the annual report / circular is available online and how to 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 shareholders to appoint up to two proxies to attend, speak and vote at general meetings on their behalf. Under the 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 will need to be cautiously evaluated for feasibility to ensure the integrity of the information and that the authenticity of the shareholders' identities is not compromised.

The company conducts electronic poll voting at general 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 meetings to ensure that the information is adequately compiled 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 general meetings, including relevant comments or queries from shareholders together with responses from the board and management. Since 2019, these minutes are published on the company website www.sembcorp.com as soon as practicable.

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. 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.

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, 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 financial results release date is disclosed at least two weeks prior to the announcement date via SGXNet. On the date of the announcement, the financial statements as well as the accompanying press release and presentation slides are released via SGXNet and posted on the company website. Thereafter, a briefing or teleconference by management is jointly held for the media and analysts. The results briefings and teleconferences 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 on fair disclosure.

Establishing and maintaining regular dialogue with shareholders

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

Shareholders can also directly contact the investor relations team via email or telephone as the contact information for investor relations is provided on the company website.

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 report 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 page 102.*

Managing Stakeholders Relationships

Engagement with Stakeholders (Principle 13)

Balancing the needs and interests of material stakeholders

Sembcorp adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders. Stakeholder engagement is the first key step in determining issues that are material to the company, giving insight into the perspective of our stakeholders and what they deem important in the context of their partnership with Sembcorp. The company engages and gathers feedback from a diverse range of stakeholders with the aim of improving our performance and driving long-term sustainability.

Our key stakeholders include customers, employees, financial institutions, governments and regulators, shareholders and the investment community, the local community, as well as contractors, suppliers, trade unions and industry partners. When assessing our material sustainability issues, we identify stakeholders in accordance with the

AA1000 Stakeholder Engagement Standard. These stakeholders are managed by various departments at the corporate and market levels. The table on the following page provides an overview of our stakeholders and key topics raised.

The company 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 of information for investors' needs, the site includes the company's results announcements since our 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. In addition to the company website, Sembcorp uses various platforms to engage different stakeholders. The frequency of the company's ongoing engagement with its stakeholders varies in accordance with the platforms used and the topics of engagement.

Dealings in Securities

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

Interested Person Transactions

Shareholders have adopted an interested person transaction mandate (IPT Mandate) in respect of IPTs 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 IPTs. All markets, business lines and functional units are required to be familiar with the IPT Mandate as well as the internal policy and procedure, and report IPTs to the company for review and approval by the AC. The Group maintains a register of IPTs in accordance with the reporting requirements stipulated by Chapter 9 of the SGX-ST Listing Manual.

 *Information on IPTs for 2019 can be found on pages 273 and 274.*

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

Code of Conduct

In maintaining an effective governance and decision-making structure, the Group Code of Conduct was revised and implemented in 2018. The Group President & CEO actively references the code in key internal meetings which reinforces its importance among management. All employees and directors of the organisation receive training on the code and its key policies.

Corporate Governance Statement

Stakeholder group	Engagement and communication platforms	Topics raised include
Customers	Operational and commercial meetings, presentations and negotiations, surveys, site visits, company activities, customer service hotlines, social media, company websites and feedback channels, telephone and email contact	Reliability of products and services Competitive pricing for products and services Sustainable and integrated energy, water and waste solutions Innovation and development of new products and services
Employees	Employee communication sessions, workshops, seminars and training sessions, employee appraisal sessions, employee committees, social events and activities, newsletters, intranet and email contact	Talent engagement Change management Benefits design Health and safety
Financial institutions	Results briefings, presentations and meetings, news releases, stock exchange announcements, company websites, investor relations microsite, telephone and email contact	Company performance, growth and value creation Corporate governance
Governments and regulators	Briefings, presentations, committees, conferences, forums, roundtable and panel discussions, seminars and workshops, site visits, telephone and email contact	Solutions to meet the needs of industries and the community Regulatory compliance Skills transfer and community contributions Health and safety
Shareholders and the investment community	Results briefings, AGMs, investor roadshows, seminars and forums, investor meetings, site visits, news releases, stock exchange announcements, company websites, investor relations microsite, telephone and email contact	Company performance, growth and value creation Governance, ethical business practices and regulatory compliance
Local community	Participation and collaboration in community projects, community activities, company websites, telephone and email contact	Community needs Social and environmental impact
Contractors, suppliers, trade unions and industry partners	Review and co-ordination meetings, briefings, presentations and negotiations, committees, conferences, forums, roundtable and panel discussions, seminars and workshops, site visits, telephone and email contact	Safety and regulatory compliance Company's long-term viability

Summary of Governance Disclosure

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

Board Matters		Remuneration Matters		Shareholder Rights and Engagement	
Provision	Page	Provision	Page	Provision	Page
The Board's Conduct of Affairs (Principle 1)		Procedures for Developing Remuneration Policies (Principle 6)		Shareholder Rights and Conduct of General Meetings (Principle 11)	
1.1	<u>83, 85</u>	6.1	<u>91</u>	11.1	<u>97-98</u>
1.2	<u>83-86</u>	6.2	<u>91</u>	11.2	<u>97</u>
1.3	<u>84</u>	6.3	<u>91</u>	11.3	<u>85, 97</u>
1.4	<u>84-85</u>	6.4	<u>91</u>	11.4	<u>98</u>
1.5	<u>85</u>	Level and Mix of Remuneration (Principle 7)		11.5	<u>98</u>
1.6	<u>86</u>	7.1	<u>93-94</u>	11.6	<u>98</u>
1.7	<u>86-87</u>	7.2	<u>91-92</u>	Engagement with Shareholders (Principle 12)	
Board Composition and Guidance (Principle 2)		7.3	<u>91-93</u>	12.1	<u>98-99</u>
2.1	<u>88</u>	Disclosure on Remuneration (Principle 8)		12.2	<u>98</u>
2.2	<u>87</u>	8.1	<u>271-272</u>	12.3	<u>99</u>
2.3	<u>87</u>	8.2	<u>94</u>	Managing Stakeholders Relationships	
2.4	<u>87</u>	8.3	<u>271-272</u>	Provision	Page
2.5	<u>85</u>	Chairman and Chief Executive Officer (Principle 3)		Engagement with Stakeholders (Principle 13)	
3.1	<u>89</u>	3.1	<u>89</u>	13.1	<u>99-100</u>
3.2	<u>89</u>	3.2	<u>89</u>	13.2	<u>99-100</u>
3.3	<u>89</u>	3.3	<u>89</u>	13.3	<u>99</u>
Board Membership (Principle 4)		Risk Management and Internal Controls (Principle 9)			
4.1	<u>89</u>	9.1	<u>94-95</u>		
4.2	<u>89</u>	9.2	<u>95</u>		
4.3	<u>89</u>	Audit Committee (Principle 10)			
4.4	<u>88</u>	10.1	<u>96</u>		
4.5	<u>44-48, 90</u>	10.2	<u>96</u>		
Board Performance (Principle 5)		10.3	<u>96</u>		
5.1	<u>90</u>	10.4	<u>97</u>		
5.2	<u>90</u>	10.5	<u>96</u>		