

GOVERNANCE

➤ OUR PERFORMANCE

The focus of our governance assurance process this year was to extend the implementation of the Governance Assurance Framework to new entities. We also continued to review and update the risk registers of existing entities to ensure that they remain relevant and up to date. Under a new requirement of India's Companies Act, the external auditors of our subsidiaries in India have opined that these subsidiaries have, in all material respects, an adequate internal financial controls system over financial reporting and that these controls were operating effectively as at March 31, 2016.

As part of our ongoing efforts to build in-house capabilities, readiness and resilience in crisis and emergency response situations, we have continued to conduct and participate in regular crisis simulation exercises and awareness trainings. In 2016, this included simulation exercises in Singapore, Oman and the UAE. The exercises were conducted in partnership with customers, local authorities and external agencies.

With heightened risk of terrorist attacks worldwide, we have also engaged an external consultant to review our security framework and ensure that our organisation and staff are well-prepared in responding to major security incidents. In September 2016, Temasek Foundation Cares launched the Stay Prepared – Business Psychological Resilience Programme (B-PREP) to establish a model for psychological resilience, which companies in Singapore can adopt to help manage the psychological and emotional impact of emergencies, threats and crises. As a B-PREP participant, we have embarked on building a team of trained personnel equipped to help affected persons cope with the psychological and emotional impact of crises. We are also developing a psychological resilience framework in line with national resilience frameworks such as SG Secure and the National Care Management System.

In 2016, Sembcorp received the Most Transparent Company Award in the Industrials category at the Securities Investors Association (Singapore) Investors' Choice Awards. Sembcorp was also ranked sixth in the 2016 edition of the Singapore Governance and Transparency Index, a well-respected index assessing the transparency of 631 Singapore listed companies. The index is a collaboration between CPA Australia, the Centre for Governance, Institutions and Organisations at the National University of Singapore Business School, and the Singapore Institute of Directors, and is supported by The Business Times.

During the year, three significant fines amounting to S\$260,000 were incurred by our operations in Chile and China. One of our water treatment plants in Chile paid a total penalty of S\$156,000 for failure to provide continuous water supply and meet the required water pressure level on two occasions. New wells have been constructed and enhancements have been made to improve the capacity and water pressure. A water treatment plant in China was also fined S\$104,000 when samples tested by the Environmental Protection Bureau exceeded the chemical oxygen demand limit as a result of different laboratory testing methodologies. We have taken action to prevent recurrence of this incident.

There was no legal action initiated during the year in connection with anti-competitive behaviour, anti-trust or monopoly practices.

**The data in this document is presented in accordance with GRI G4 specific standard disclosures, and the relevant GRI G4 category, aspect and indicator is specified.*

ALL GOVERNANCE INDICATORS

Material Issue – Compliance

G4-SO8 Social, Society: Compliance

Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations

No significant fines or incidents during reporting period.

G4-EN29 Environmental: Compliance

Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

A water treatment plant in China was fined S\$104,000 when samples tested by the Environmental Protection Bureau exceeded the chemical oxygen demand limit as a result of different laboratory testing methodologies. We have taken action to prevent recurrence of this incident.

G4-PR9 Social, Product Responsibility: Compliance

Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

One of our water treatment plants in Chile paid a total penalty of S\$156,000 for failure to provide continuous water supply and meet the required water pressure level on two occasions. New wells have been constructed and enhancements have been made to improve the capacity and water pressure.

Material Issue – Ethical Business Practices

G4-SO3 Social, Society: Anti-corruption

Total number and percentage of operations assessed for risks related to corruption and the significant risks identified

100% of our operations were assessed for fraud risks which include bribery and corruption.

G4-SO7 Social, Society: Anti-competitive Behaviour

Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes

No significant fines or incidents during reporting period.

➤ GOING FORWARD

We will continue to prescribe to and be guided by the below targets as we continue our journey in pursuit of excellence in the areas of corporate governance, risk management, compliance and ethical business practices.

Going forward, our focus will be to further improve and refine our risk management and governance processes. This includes exploring new e-learning training modules and implementing the new online risk management and business continuity management system for our key business units.

➤ **Corporate Governance**

To have an effective governance and decision-making structure

➤ **Risk Management**

To ensure effective identification and management of all material risks

➤ **Compliance**

To comply with all legal and regulatory requirements

➤ **Ethical Business Practices**

To ensure we conduct our businesses legally, fairly, honestly and with integrity