

GOVERNANCE

ALL GOVERNANCE INDICATORS

Material Issue – Corporate Governance

We maintained sixth position in the Singapore Governance and Transparency Index, the leading index for assessing corporate governance practices of Singapore-listed companies. As part of our ongoing efforts towards best practice, we developed a Board Diversity Policy that sets out our principles on board composition. In the appointment of its directors, Sembcorp considers directors with different skillsets, experience, age, gender, educational and professional background, length of service, as well as other relevant attributes.

Material Issue – Ethical Business and Compliance

In 2019, employee acknowledgement of compliance to the Code of Conduct (CoC) was 100%, and a total of 94% of employees underwent mandatory compliance training.

As part of our continuous improvement efforts, we have updated and enhanced our Anti-bribery and Corruption (ABC) Policy and supporting programmes to ensure that these are relevant and up to date with current regulations and best practices in addition to being compliant with the US Foreign Corrupt Practices Act and UK Bribery Act. We have also enhanced the Third Party Due Diligence compliance programme to strengthen our controls around intermediary and third party relationships. In 2019, we conducted a total of 29 face-to-face ABC training workshops with over 800 employees globally, and covered topics including gifts, entertainment, travel and third party due diligence.

A total of 22 data protection and cyber security awareness training workshops were conducted for over 700 employees globally. We constantly review our data protection policies, processes, practices and controls to identify any gaps or lapses which may result in non-compliance. We seek to ensure that all identified gaps are addressed in a timely fashion.

Fines and Sanctions

In 2019, we paid significant* fines totalling S\$10.5 million in Chile and China. Of this, S\$522,000 was for three fines incurred by our operations in Chile, while S\$10 million was for a fine imposed on a joint venture company in China. In Chile, two fines amounting to S\$400,000 were for incidents that occurred in 2015 and 2016 for delays in the construction of wells, water and sewage networks that were committed under a regulatory development plan. In addition, a S\$122,000 fine was imposed due to the discharge of untreated sewage to the ocean in 2016. The sewage lifting system was improved to better manage the sewage water discharge.

In China, legal proceedings related to the discharge of off-specification wastewater by a joint venture wastewater treatment company in Nanjing concluded in February 2020. The Group's share of fines and cash settlement for

* A significant fine refers to a monetary sanction equal to or above S\$50,000 that was paid during the financial year.

both the criminal and civil claims was a total of S\$54 million. This amount included a S\$10 million fine for the criminal case in 2019. In addition there was a S\$44 million settlement for the civil claim.

The isolated incident had resulted from the illegal and criminal activities of some employees of the joint venture company for a period prior to early 2017. The involved employees have since been charged, tried and sentenced in their individual capacities by the local courts. The employment of those individuals found guilty was also terminated.

Following this incident, we took all necessary steps to further strengthen our internal controls and processes in our water operations in China. We implemented a proprietary technology platform, Virtual Brain platform for water, in wastewater facilities to track and monitor plant performance and compliance, and established a Country Centre of Excellence in Shanghai. The Centre of Excellence centralises all technical resources, implements Group water business standard operating procedures and oversees project management and controls for all new projects. The Group has also committed to new investments worth approximately S\$45 million over the next four years to develop projects and initiatives to support environmental protection in the country.

GRI 205 Anti-corruption

Disclosure 205-2: Communication and training about anti-corruption policies and procedures

In 2019, we conducted a total of 29 face-to-face ABC training workshops with over 800 employees globally, and covered topics pertaining to gifts, entertainment, travel and third party due diligence.

Total number of employees trained by region

Singapore	297
China	248
India	31
UK	34
Rest of Asia	129
Middle East	22
Others	55
	816

GRI 206 Anti-competitive Behaviour

Disclosure 206-1: Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices

No legal actions for anti-competitive behaviour, anti-trust and monopoly practices were recorded during the reporting period.

* A significant fine refers to a monetary sanction equal to or above S\$50,000 that was paid during the financial year.

GRI 307 Environmental Compliance

Disclosure 307-1: Non-compliance with environmental laws and regulations

A S\$10 million fine* was paid by a joint venture wastewater treatment company in Nanjing, China for the discharge of off-specification wastewater. In our operations in Chile, a S\$122,000 fine* was imposed due to the discharge of untreated sewage to the ocean in 2016. Details of these fines are described under “Fines and Sanctions” in this document.

GRI 415 Public Policy

Disclosure 415-1: Political contributions

Our Code of Conduct states that we are politically neutral and we do not contribute funds or non-monetary support, including lobbying, to any political party, politician, elected official, or candidate for public office in any country or jurisdiction.

GRI 419 Socioeconomic Compliance

Disclosure 419-1: Non-compliance with laws and regulations in social and economic areas

In Chile, two fines* amounting to S\$400,000 were for incidents that occurred in 2015 and 2016 for delays in the construction of wells, water and sewage networks that were committed under a regulatory development plan.

Material Issue – Risk Management

We have made good progress in transitioning from our Governance Assurance Framework to an Integrated Assurance Framework (IAF) to put greater emphasis on the three lines of defence model. For more details on our IAF, please refer to the Corporate Governance statement and the Sustainability section of our website.

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