

# SUSTAINABILITY REPORT

Sustainability at Sembcorp is about striving for excellence and continuous improvement in identifying, understanding and responding to evolving environmental, social and governance challenges facing our businesses.

## MANAGING SUSTAINABILITY

At Sembcorp, we believe in building sustainable businesses that deliver long-term shareholder value and growth. We believe that a truly sustainable business not only creates economic value, but does so in a way that creates benefit for its stakeholders.

Environmental, social and governance (ESG) considerations are embedded in our business decisions and processes. We believe that taking ESG considerations into account helps us to understand our risks and responsibilities in a holistic manner, and that when our strategy and business decisions are informed by ESG concerns, we are better prepared to respond to the challenges we face.

Sembcorp's management of its sustainability issues is centred on five focus areas (see Focus Areas and Material Issues table on page 129). Sembcorp's key sustainability principles are set out in our Sustainability Policy. These principles are applied through the management systems and processes of Sembcorp's operations. We aim for continuous improvement of our sustainability management systems, and evaluate our management approach by benchmarking it against industry best practice. We adopt a precautionary approach to avoid or minimise negative impacts through preventive measures and tracking of leading indicators. A list of our policies, certified facilities as well as memberships and participation in external initiatives is available in the Sustainability section of our website.

Sembcorp's Board of Directors oversees the business affairs of the Group and is collectively responsible for the long-term success of the company. The principal duties of the board include providing leadership on the Group's overall strategy, taking into consideration sustainability issues. The board also ensures the adequacy of the Group's framework for risk management and internal controls, including ethical standards.

Sembcorp's Sustainability Steering Committee (SSC) provides strategic direction for the management of sustainability-related risks and opportunities and guides the development and improvement of frameworks, policies, guidelines and processes for the effective management of sustainability issues. The SSC is a high-level committee chaired by the Group Chief Financial Officer, and comprises senior executives across various functions, including asset management, human resources, health, safety and environment (HSE) and corporate relations.

At the business unit level, economic, operational, as well as health and safety issues and other risks are reviewed by the operations head at bi-monthly business unit management meetings, and performance in these areas is evaluated against internal targets.

### Sustainability contact

Sembcorp welcomes feedback on our sustainability issues and reporting at [sustainability@sembcorp.com](mailto:sustainability@sembcorp.com).

## Sustainability Performance Snapshot

The table below shows quantitative data that reflects our performance in areas that have been identified as material to our businesses and stakeholders.

More performance data, including qualitative data, is available in the individual sections for each focus area in this report, as well as in the Sustainability section of our website.

|   | 2014             | 2013     | 2012    |
|---|------------------|----------|---------|
| <b>Economic</b>   |                  |          |         |
| <b>Capital and Portfolio Management<sup>1</sup></b>   |                  |          |         |
| Turnover ( <i>S\$ million</i> )   | 10,895           | 10,798   | 10,189  |
| Net profit ( <i>S\$ million</i> )   | 801              | 820      | 753     |
| Return on equity (%)  | 15.2             | 17.1     | 17.5    |
| Return on total assets (%)  | 7.5              | 9.1      | 9.5     |
| Total debt-to-capitalisation ratio  | 0.40             | 0.23     | 0.30    |
| Total debt-to-capitalisation ratio (less cash and cash equivalents)                                 | 0.26             | Net cash | 0.05    |
| Total shareholder returns <sup>2</sup> (%)  | (15.6)           | 7.7      | 33.7    |
| <b>People</b>   |                  |          |         |
| <b>People Development</b>   |                  |          |         |
| Employee turnover (voluntary and non-voluntary) (%)   | 18.4             | 12.4     | 10.8    |
| Training cost per employee ( <i>S\$</i> )   | 706              | 520      | 366     |
| <b>Health, Safety and Environment</b>   |                  |          |         |
| <b>Occupational Health and Safety<sup>3,4</sup></b>   |                  |          |         |
| Number of fatalities <sup>5</sup>   | 0                | 0        | 0       |
| Injury rate per 200,000 man-hours <sup>6</sup>  | 0.47             | 0.27     | 0.53    |
| Lost day rate per 200,000 man-hours <sup>6</sup>  | 9.38             | 4.54     | 9.36    |
| <b>Climate Change</b>   |                  |          |         |
| Direct greenhouse gas emissions <sup>7</sup> ( <i>million tonnes of CO<sub>2</sub> equivalent</i> ) | 5.7              | 5.8      | 5.3     |
| <b>Environmental Protection</b>   |                  |          |         |
| Water withdrawal ( <i>million m<sup>3</sup></i> )   | 1,593.0          | 1,502.2  | 1,588.5 |
| Waste disposal <sup>8</sup> ( <i>thousand tonnes</i> )  | 43.1             | 31.7     | 30.8    |
| Hazardous waste ( <i>thousand tonnes</i> )  | 12.6             | 9.4      | 9.4     |
| Non-hazardous waste ( <i>thousand tonnes</i> )  | 30.5             | 22.4     | 21.4    |
| <b>Community</b>  |                  |          |         |
| Community contributions ( <i>S\$ million</i> )  | 2.4 <sup>9</sup> | 1.8      | 0.9     |

Notes:

Please refer to the section on Reporting Framework and Scope on page 127 for details on our scope.

<sup>1</sup> Financial figures reported are for the Group, including Sembcorp Marine, as per audited financial statements.

<sup>2</sup> Source: Bloomberg

<sup>3</sup> Occupational health and safety data from our solid waste management operations in Singapore and Zhumadian China Water Co are excluded in this summary. Data from our Singapore solid waste management operations, which have a different risk profile, can be found on page 147. We were unable to include data from our Zhumadian operations due to unavailability of data.

<sup>4</sup> Occupational health and safety data excludes data from projects under development / in construction.

<sup>5</sup> Health and safety data covers employees and contractors engaged to work on our sites. In 2014, there were three fatalities involving members of the public who were involved in road traffic accidents with company vehicles. These are reported on page 146.

<sup>6</sup> 200,000 man-hours is roughly equivalent to the total number of hours worked by 100 full-time employees in a calendar year.

<sup>7</sup> Data covers operations that produce direct greenhouse gas emissions from the combustion of fossil fuel.

<sup>8</sup> Waste disposal data excludes waste that is collected and incinerated for our customers.

<sup>9</sup> Figure excludes contributions by Sembcorp Marine. Contributions including Sembcorp Marine amount to S\$5.8 million.

**Materiality**

Materiality analysis is a key process enabling Sembcorp to define the sustainability issues that are of greatest significance to our businesses and our stakeholders over the long term. We believe our focus on materiality is vital as we seek to make progress on our sustainability journey, drive performance and transparency, and embed sustainability into the Group's culture.

Sembcorp focuses our reporting on 11 material issues, grouped into five focus areas. Each focus area is owned by an appointed SSC member. The five focus areas and 11 material issues are recognised by both internal and external stakeholders, and are listed on page 129. For each material issue, we report the sustainability context, the relevance to Sembcorp, and our management approach and performance.

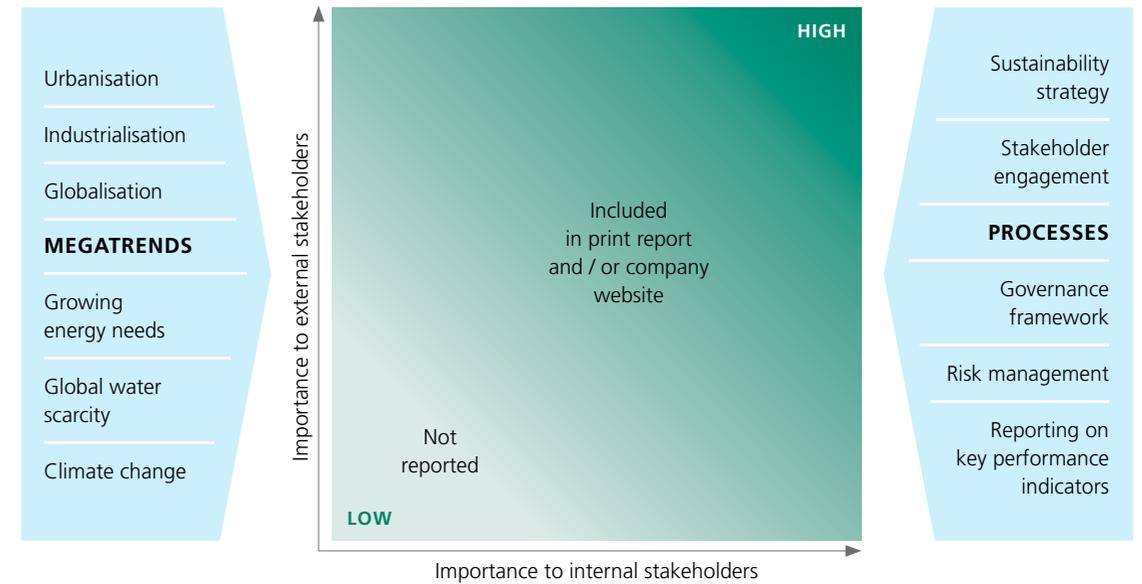
Sembcorp conducted a materiality review in 2013, building on our first formal materiality assessment in 2011. Sustainability issues were identified in line with Global Reporting Initiative (GRI) guidelines. The materiality review took into account GRI's Electric Utilities Sector Supplement, the Dow Jones Sustainability Index and other relevant frameworks and peer reviews. These issues

were prioritised using a materiality matrix, charting their level of significance to Sembcorp and our stakeholders according to clearly defined criteria based on the AA1000AS five-part materiality process.

The materiality assessment and review were conducted with input from an independent sustainability consultant. To enhance the robustness of our materiality assessment, feedback from our stakeholders, including shareholders, financial institutions, the investment community, regulators, customers, suppliers and non-governmental organisations, was incorporated. The survey, commissioned in 2012, was conducted by an independent firm to ensure anonymity for respondents. Respondents agreed on the whole with the issues identified as material for Sembcorp. Survey responses also helped to refine aspects of the material issues that our key stakeholders were interested in, and gave us input on how we could better communicate the issues.

In 2014, we integrated sustainability considerations into our approach to risk management, in order to create a more robust materiality and risk assessment process.

**Sembcorp's Materiality Matrix**



**Reporting Framework and Scope**

This report was prepared in accordance with GRI G4 Core requirements. Our GRI content index is available in the Sustainability section of our website.

Sembcorp operates across six continents. Our three key businesses comprise Utilities, Marine and Urban Development. As our Marine business is separately listed in Singapore and reports its activities separately, it is excluded from this report.

The period under review pertains to January 1 to December 31, 2014, and the information provided in this report relates to subsidiaries of Sembcorp. It excludes joint ventures, partnerships and associates for which Sembcorp does not have management and / or operational control. Data reported in the Governance, Risk and Compliance, People, HSE and Community sections is specific to businesses in operation, and excludes projects in construction.

Environmental data provided is specific to Sembcorp's Utilities businesses only. New acquisitions and subsidiaries are given one year, or more where required, to integrate their reporting systems with that of the Group. Thereafter, their sustainability data will be reported externally upon the collection of a full calendar year of data. Data pertaining to entities divested during the year is excluded from this report. We aim to work towards external assurance of the report.

**Data Measurement and Quality**

All data measurements are in line with GRI G4 recommendations for our chosen indicators. Greenhouse gas (GHG) emission factors are based on the 2006 Intergovernmental Panel for Climate Change (IPCC) guidelines, except for those relating to our operations on Teesside, UK, which use emission

factors adapted from the US Environmental Protection Agency and the 2013 and 2014 Government Greenhouse Gas Conversion Factors for Company Reporting issued by the UK's Department for Environment, Food & Rural Affairs and Department of Energy & Climate Change.

While there are inherent limitations to the accuracy of data, Sembcorp seeks to minimise errors and irregularities through the strengthening of internal controls.

**Stakeholder Engagement**

We recognise the importance of engaging our stakeholders to encourage open communication and build relationships, and employ a range of platforms to this end. The frequency of ongoing engagement with our stakeholders varies with their concerns and needs as well as with the topics of engagement.

In 2012, we conducted a stakeholder mapping exercise to review and define our stakeholder groups. This was done in accordance with the AA1000 Stakeholder Engagement Standard by an independent consultant. Stakeholders were mapped based on their level of influence and interest, using a structured approach. The level of stakeholder interest against each material issue was also reviewed and a survey was conducted to invite feedback on our material issues from selected key stakeholders.

More information on the platforms we use to regularly engage our stakeholders can be found in the Sustainability section of our website.

**HIGHLIGHT**

**Engaging Our Stakeholders**

Sembcorp actively participated in Singapore International Water Week 2014, using this industry event as a platform to engage peers, partners, customers and governments through forum and roundtable discussions. Topics ranged from water solutions for the chemical and refining sector and industrial parks, to approaches to solving the future water challenges of industries. Sembcorp also hosted China's Minister for Water Resources, Chen Lei, at our facilities on Jurong Island, and discussed with him the advanced water management solutions that will support China's growth and sustainable development. For more insights on our participation in Singapore International Water Week, please go to the Events section under News and Multimedia of our website.

**MATERIAL ISSUES**

We group our material issues into five focus areas, aligned with how we drive success for the company. Under each focus area, we discuss our management

approach to the relevant material issues and our performance against each issue.

A snapshot of Sembcorp's quantitative sustainability performance data is presented on page 125.

| Focus Areas   | Material Issues   |
|---|---|
| <b>Economic</b>   |   |
| <ul style="list-style-type: none"> <li>To deliver long-term value and growth</li> </ul>   | <ul style="list-style-type: none"> <li>Capital and portfolio management</li> <li>Operational reliability</li> <li>Innovation</li> <li>New income streams</li> </ul> |
| <b>Governance, Risk and Compliance</b>  |   |
| <ul style="list-style-type: none"> <li>To maintain high standards of behaviour and integrity and be best in class for governance practices</li> </ul>   | <ul style="list-style-type: none"> <li>Governance and ethical business</li> <li>Risk and regulatory compliance</li> </ul>   |
| <b>People</b>   |   |
| <ul style="list-style-type: none"> <li>To provide a fair, diverse and inclusive workplace, and continually improve our human resource management and people development</li> </ul>  | <ul style="list-style-type: none"> <li>People development</li> </ul>  |
| <b>Health, Safety and Environment</b>   |   |
| <ul style="list-style-type: none"> <li>To instil sound and practical health and safety management as part of our workplace culture, and protect the environment in the conduct of our business activities and generation of our products and services through good environmental practices</li> </ul> | <ul style="list-style-type: none"> <li>Occupational health and safety</li> <li>Climate change</li> <li>Environmental protection</li> </ul>                          |
| <b>Community</b>  |   |
| <ul style="list-style-type: none"> <li>To be a responsible business, making a positive contribution to our communities</li> </ul>   | <ul style="list-style-type: none"> <li>Community integration</li> </ul>   |

## Economic To deliver long-term value and growth

### Why this is material

Long-term economic viability is at the core of Sembcorp's approach to building sustainable businesses. The Group drives its economic sustainability by monitoring and managing the following key facets of its business: capital and portfolio management, operational reliability of assets, innovation and business development for new income streams.

### Capital and portfolio management

Sembcorp's businesses often involve large-scale, long-term projects requiring significant initial capital outlay. Strong financial health and a disciplined approach to investment are therefore necessary for us to succeed. At the same time, as Sembcorp continues to grow, we believe it is important for us to maintain a balanced portfolio of businesses across various geographical regions and business segments with the appropriate level of risk. Capital allocation, including the geographical distribution of our investments, is hence managed from this perspective.

### Operational reliability

The reliability of our assets is vital not only for our reputation, but also for our long-term profitability. Our Group is heavily invested in the Utilities business, which involves the sustained operation of energy and water facilities for prolonged periods. The business is committed to long-term customer contracts and its products and services, such as power, steam, water and wastewater treatment, are essential to its customers. Proper care and maintenance of our assets ensure that their useful life, and therefore their ability to generate stable recurring income and a reliable supply of products and services, is sustained throughout our long investment horizon.

### Innovation

We recognise the importance of technology and innovation in maintaining and enhancing our relevance, profitability and competitive advantage. This includes applied research and development and improvements to optimise our operations and enhance our efficiency, as well as the adoption of new technologies and methodologies with wider sustainability benefits.

### New income streams

To deliver long-term growth, the company continuously explores new business opportunities and maintains a pipeline of upcoming projects, including both greenfield and brownfield investments.

## HIGHLIGHT

### Developing World-class Capabilities

In late 2014, we announced the development of the Sembcorp Global Asset Management System. The system will allow Sembcorp to centralise the management of its energy and water plants from around the world and will put Sembcorp at the forefront of using predictive analytics in the operation of utility plants.

The system will comprise a process optimisation module, which will benchmark plant performance data and provide automatic alerts for any abnormalities; a troubleshooting module using predictive analytics to help Sembcorp's technical experts address operational issues the minute they occur; and a predictive maintenance module to identify potential equipment problems, prevent unexpected shutdowns and allow for more optimised scheduling of maintenance.

The advanced system will allow Sembcorp to better harness its collective global expertise, drive operational excellence and optimise asset performance for enhanced reliability, availability and cost effectiveness.

### Management approach

#### Capital and portfolio management

The Group has put in place robust frameworks and processes to ensure our investment and business decisions take into account long-term considerations. Since 2003, we have implemented a system of financial discipline across all subsidiaries, joint ventures and associates. Potential acquisitions and growth opportunities are evaluated based on strict investment guidelines. Depending on criteria such as project value and country risk, approval for projects may involve the Senior Management Committee, the board and / or its Executive Committee or Risk Committee.

The Group actively manages its risk portfolio. This includes monitoring balance sheet liquidity ratios and country risk profiles. For more information on risk management at Sembcorp, please refer to the Risk Management and Internal Controls chapter of this annual report.

#### Operational reliability

Reliability is of foremost importance in the management of our assets, from the design phase to the operation and maintenance phases. In the design and construction phases, consideration is given to installing sufficient operational flexibility and selecting quality equipment. In the operation and maintenance of assets, regulatory and manufacturers' standards are adhered to. Efforts are continually made to optimise use of the equipment. The reliability of our plants is monitored through monthly performance indicators for which senior management has oversight. Technical audits and checks are also conducted on our plants.

### Supply Chain Management

We recognise that our supply chain has a material impact on the efficiency and effectiveness of our operations. From our engineering, procurement and construction contractors to fuel and spare parts suppliers, Sembcorp's procurement policy guides our assessment of suppliers and contractors to ensure that they are chosen for their ability to deliver over the long term and operate in a responsible manner.

#### Requirements for suppliers

Sembcorp has stringent requirements for its suppliers. In Singapore for instance, our suppliers go through an extensive pre-qualification process which vets their ability to sustain their business. This includes checks on areas such as their financial viability, human resource policy and litigation history. The vendors' capabilities are also reviewed, taking into account the qualifications and experience of their personnel and track records. Suppliers' HSE records and processes, as well as their labour conditions and community impact, are also considered. We value the opportunity to positively influence our suppliers for greater HSE awareness and social responsibility, and believe that securing a pool of suppliers with a shared commitment to sustainability will mitigate operational and reputational risk.

#### Supplier diversification

Our efforts to ensure supply chain security include diversifying supply to mitigate concentration risk. For instance, Sembcorp's operations in Singapore maintain at least one primary and one secondary supplier for key spare parts and consumables wherever possible.

#### Fuel procurement

Fuel comprises a significant cost component for Sembcorp's power and steam generation operations. Security of fuel supply is also essential to the sustained performance of our assets. In view of this, we established a Fuel Management department to focus on issues such as security of supply, price fluctuations and fuel mix. To further diversify our fuel mix and tap sustainable sources, Sembcorp has increased our use of alternative fuels and renewables. For instance, in Singapore, our solid waste management operations provide a reliable supply of waste wood for our woodchip boiler plant, while in our biomass power plant in the UK, waste wood from sustainably-managed forests, sawmills and arboricultural residues is used as fuel. A case study on how we deliver value across the energy and water value chain is available in the Economic portion in the Sustainability section of our website.

### Innovation

Sembcorp's Technology Advisory Panel, comprising our Chairman, Group President & CEO and other invited experts, provides strategic direction for Sembcorp's technology and innovation programmes. It oversees the application of significant emergent technologies in the energy and water sectors, and provides guidance to Sembcorp's leadership on technological trends and opportunities. The panel is supported by an in-house Group Technology department.

Headed by our Chief Technology Officer, our Group Technology department oversees our research and development as well as innovation efforts. Besides tracking our investment in innovation and the corresponding returns, we also track indicators such as number of projects screened, to ensure that we have a pipeline of innovation projects for development and implementation in a timely manner.

To further encourage innovation from the bottom up, Sembcorp's !DEA Awards programme also recognises innovative ideas and efforts across the Group. Past winning entries have included process innovations resulting in cost savings and improved HSE performance, and innovations in the development of new products and services.

Ongoing engagement with venture capitalists, technology companies and tertiary research institutes enables us to keep abreast of the latest technological advancements. In looking at new technology, we prioritise innovations for our operations' identified needs, while also considering more general proposals.

#### New income streams

Sembcorp's Group Business Development & Commercial department is structured and resourced to pursue new business opportunities with agility and focus. Dedicated teams look into growing our businesses in both existing as well as new markets.

To provide a platform for future growth, we identify and develop a healthy pipeline of projects. We also seek to grow through strategic partnerships with our customers, by continuously developing innovative and competitive solutions to meet their evolving needs.

We actively invest in sustainable and green business lines which will give us an edge in an increasingly resource-scarce world. Applying a disciplined approach, we employ a stringent evaluation process for all our projects and investments.

#### 2014 performance

Sembcorp's financial performance and key economic indicators can be found in our Group Financial Review chapter and Financial Statements in this annual report.

We officially opened the Sembcorp Technology & Innovation Centre in Singapore, which serves as a focal point for our testing, optimisation and research and development activities in both energy and water. We announced the development of the Sembcorp Global Asset Management System, which will enhance our management of our global portfolio of facilities and lead to greater reliability, availability, optimisation, as well as cost savings. In addition, we are strengthening our team of technical specialists who will be employed to troubleshoot technical issues for our plants worldwide. We expanded our team to continue the development of Virtual Brain, the system we are developing for predictive maintenance and optimisation of our operations. We successfully implemented equalisation-hydrolysis (EQ-H), a wastewater treatment technology we developed in-house, which offers commercial and environmental benefits through improving effluent quality while reducing power and chemical consumption as well as biosludge production. The technology was applied in a full-scale pilot project at our facilities in Zhangjiagang, China.

Two patents were filed to protect our innovations in Virtual Brain and EQ-H.

We announced the formation of the Sembcorp-EMA Energy Technology Partnership, a S\$10 million research and development fund by Sembcorp and Singapore's Energy Market Authority (EMA) to support the translation of innovative energy solutions from laboratory to market, benefitting the power industry and our operations. We strengthened and re-launched the IDEA Award to reward not only implemented solutions, but also ideas and suggestions that could potentially create sustainable value for Sembcorp's businesses and operations. We also earmarked seven research and development projects in areas related to our businesses to be jointly explored with the National University of Singapore over the next few years.

New projects added to our growth pipeline in 2014 include the acquisition and upgrade of an existing wastewater treatment plant in Lianyungang Lingang Chemical Industrial Park in China's Jiangsu Province. Sembcorp was selected by the Jiangsu Environmental Protection Department to improve industrial wastewater treatment operations at the industrial park, with the potential for the project to serve as a model to be replicated at other industrial parks in Jiangsu. We also acquired a stake in NCC Power Projects, which is currently building a 1,320-megawatt supercritical coal-fired plant in Andhra Pradesh, India. This project will double our thermal power generation capacity in India and increase our footprint in the country's growing power market.

### Going forward

The Group will continue to maintain a disciplined approach towards managing its financial position and portfolio. We will further deepen our asset management as well as business development and commercial capabilities, optimise plant performance and grow our asset portfolio for a greater recurring

income base. We will also review our global supply chain, and aim to harmonise our procurement principles globally.

We will continue to identify and develop new and innovative technologies and build on our culture of innovation through recognition and implementation of IDEA Awards projects and other ad-hoc innovation proposals. In the near future, we expect to implement further phases of the Virtual Brain project and develop it for application in other water treatment processes. We target to launch the first joint call for proposals seeking funding under the Sembcorp-EMA Energy Technology Partnership in 2015.

**Governance, Risk and Compliance**  
To maintain high standards of behaviour and integrity and be best in class for governance practices

### Why this is material

#### Governance and ethical business

Responsible business conduct ensures the long-term viability of our business, and builds trust and confidence with stakeholders. We commit to high standards of behaviour and integrity in everything we do and comply with all laws and regulations wherever we operate. We believe in conducting business legally, fairly, honestly and with integrity, and expect the same of those with whom we do business. Sembcorp has zero tolerance towards fraud, bribery and corruption.

#### Risk and regulatory compliance

Risk management is integral to Sembcorp's approach to operating sustainably. We actively equip our management with tools to manage and control risks arising from existing business activities and investment decisions. Risk management helps to preserve our bottom line by reducing the likelihood and impact of potential losses, while

providing a common platform for the evaluation of new business opportunities. In addition, risk management provides our board and shareholders the assurance that key enterprise and business risks faced by the organisation have been identified, assessed and managed via appropriate risk mitigation and controls.

Sembcorp is committed to high standards of regulatory compliance, as non-compliance with applicable laws and regulations may subject us to statutory and regulatory fines and even result in material litigation with severe negative impact on our reputation, financials and licence to operate.

### HIGHLIGHT

#### Strengthening Governance

In 2014, we formulated a new policy and manual covering internal controls for the Group and its businesses. These documents provide a clear framework for what constitutes an effective and adequate system of controls. It also provides guidelines on the appropriate segregation of duties and a checklist of internal controls for our business units to put in place.

### Management approach

#### Governance and ethical business

Sembcorp is led by an effective board mainly comprising independent non-executive directors. The board is collectively responsible for the long-term success of the company. Part of its role is to ensure the adequacy of the Group's control and risk framework and standards, including ethical standards, and that obligations to key stakeholders are understood and met. Several board committees have been established with written terms of reference to assist the board in the efficient discharge of its responsibilities and provide independent oversight of management.

Sembcorp complies with the Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore and reports our governance processes and activities with reference to principles set out in the Code.

### Risk and regulatory compliance

#### Enterprise risk management

The Group has an enterprise risk management (ERM) framework in place. The Group's risks are managed through reviews of major occurrences and key risk areas at management meetings, risk assessments at the investment appraisal and due diligence stages, monitoring of key risks through a quarterly System of Financial Discipline submission or as required, and reporting of departmental and business unit level risks by all employees via the ERM reporting process and risk committee meetings.

#### Governance assurance framework

Sembcorp adopts a governance assurance framework, which comprises four lines of defence:

- i. Business governance / policy management
- ii. Management assurance
- iii. Independent assurance
- iv. Board oversight

For more information on Sembcorp's governance and risk management systems, please refer to the Corporate Governance Statement and Risk Management and Internal Controls chapter in this annual report.

#### Training and performance management

The Group provides awareness training and workshops on ERM, fraud risk management and business continuity management on a periodic basis. Desktop exercises for crisis management, emergency response drills and business continuity exercises are

also conducted regularly to validate and fine-tune our procedures and plans, so as to ensure that the Group can respond effectively to crises and emergencies.

Remuneration for senior management is tied to risk management and governance performance indicators relevant to their roles. More details on senior management remuneration and reward can be found in the Corporate Governance Statement in this annual report.

### 2014 performance

This year, we continued to make progress in the global implementation of our fraud risk management framework. All our subsidiaries have completed fraud risk assessments for their respective cash-handling and procurement processes where applicable. We also continued to communicate our policy of zero tolerance towards bribery and corruption through our fraud awareness sessions for employees.

In 2014, we continued to roll out our group-wide governance assurance framework to promote a consistent approach and understanding with regard to our risk and controls assessment process and methodology. This aims to strengthen the risk and controls assessment process and also provides a framework for self assessment of risk-based controls.

In addition, a policy and manual governing internal controls were developed to provide our business units guidance in implementing, strengthening and maintaining an effective and adequate system of internal controls. We also continued to use forensic data analytics as a tool to uncover red flags and identify any gaps in internal controls to be addressed.

In 2014, a total of two significant fines amounting to S\$214,000 were incurred by our operations in Chile and China. We have looked into these incidents to ensure a non-recurrence.

With the increased threat of disease epidemics, we strengthened our readiness to respond to pandemic outbreaks through table-top exercises and emergency response drills in Singapore, the Middle East and South Africa. This included simulating a World Health Organisation declaration that an infectious disease had reached pandemic phase, and the activation of response measures such as isolation and contact tracing procedures.

As part of our continuous review of policies, Sembcorp introduced a business continuity management (BCM) policy which defines the BCM governance and implementation framework, and provides guidance to our operations in their business continuity planning activities.

As a testament to our ongoing commitment to excellence in corporate governance, financial reporting and disclosure, Sembcorp was ranked third on The Business Times Governance & Transparency Index in Singapore. We also won top awards in three out of five categories at the 2014 Singapore Corporate Awards. These included gold awards for Best Managed Board and Best Annual Report for companies with S\$1 billion and above in market capitalisation, as well as the gold award for Best Chief Executive Officer in the same category, which was awarded to Sembcorp Industries' Group President & CEO Tang Kin Fei. In addition, we were also named runner-up for the Singapore Corporate Governance Award under the category of companies with S\$1 billion and above in market capitalisation at the 15<sup>th</sup> Securities Investors Association (Singapore) Investors' Choice Award 2014.

### Going forward

Sembcorp will continue to improve our risk management, governance and compliance processes. As part of building the right risk management culture, regular risk awareness refresher training and risk assessment workshops will be conducted.

## People

To provide a fair, diverse and inclusive workplace, and continually improve our human resource management and people development

### Why this is material

#### People development

Employees play a vital role in achieving our business strategy and goals. To be a high performance organisation, it is crucial to develop a competent, capable and motivated workforce that can meet the business challenges of today and tomorrow.

The nature of our business is such that we require specialist technical expertise. Some of the markets in which we operate lack a qualified labour force with the necessary technical skill sets that our business requires. In other markets, these skill sets are highly sought after across other industries. Additionally, the commercial and regulatory environment in which we operate is growing in complexity. Therefore, there is a critical need to attract, retain and develop competent employees who possess a deep understanding of the company and industry.

We believe that the career opportunities and structured development framework we offer are key to attracting, motivating and retaining talent.

We continually stay abreast of latest developments and industry best practice through our memberships and participation in external organisations such as the Singapore National Employers Federation, the Temasek Human Resource Council and The Conference Board, as well as numerous local roundtable groups.

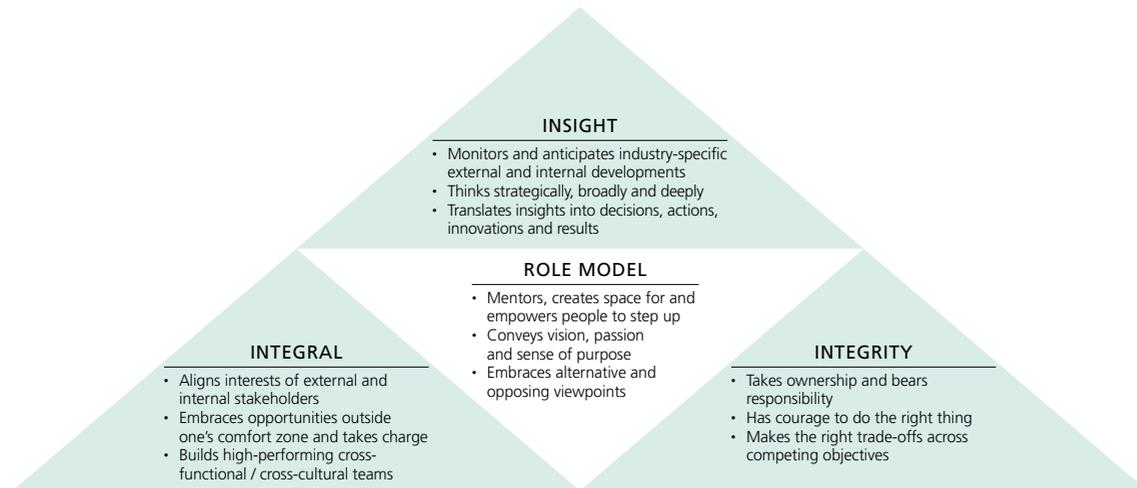
For further details of our approach and initiatives on labour relations, remuneration and employee welfare and engagement, please refer to the People portion in the Sustainability section of our website.

### HIGHLIGHT

#### Investing in People

In 2014, we focused our efforts on implementing our competency framework, with the aim of improving competencies of managers and employees across the different functions of the organisation. We launched company-wide training programmes to equip our employees in aspects of functional and core competencies, such as coaching skills, performance management, presentation and writing skills. This training is ongoing across our organisation.

**Sembcorp's Core Competency Framework**



**Management approach**

**Human resource policies and structure**

Our human resource management approach is based on the key aspects of strategic workforce planning, our competency framework and creating development journeys for our employees.

The Senior Management Committee, supported by the Group Human Resources department, is responsible for setting key policies relating to our employees.

The Group is committed to preserving and respecting human rights in our operating locations. Sembcorp fully supports basic principles of fairness and opportunity as well as dignity, respect and non-discrimination. With our headquarters based in Singapore, we abide by the approach to human rights taken by the Singapore government, and endorse the Employers' Pledge of Fair Employment Practices under Singapore's Tripartite Alliance for Fair and Progressive Employment Practices. We do not hire forced or child labour, and comply with local regulations restricting forced or child labour

wherever we operate. While our operations span six continents where labour laws, regulations and practices differ widely, we are committed to high standards of human resource management globally. We abide by local laws wherever we operate, including abiding by and exceeding minimum wage requirements where such laws exist. Examples of other diverse regulations our global operations comply with include the Broad-based Black Economic Empowerment Amendment Act 2013 in South Africa, and localisation requirements for our operations in Oman and the UAE.

For the convenience of our employees, our local human resource policies, as well as all other company policies and guidelines, are readily available and accessible on our intranet.

**Five Key Principles of Fair Employment Practices Endorsed by Sembcorp**

- ➔ Recruit and select employees on the basis of merit (such as skills, experience or ability to perform the job), and regardless of age, race, gender, religion, marital status and family responsibilities, or disability
- ➔ Treat employees fairly and with respect and implement progressive human resource management systems
- ➔ Provide employees with equal opportunity to be considered for training and development based on their strengths and needs to help them achieve their full potential
- ➔ Reward employees fairly based on their ability, performance, contribution and experience
- ➔ Abide by labour laws and adopt the Tripartite Guidelines on Fair Employment Practices

**People development**

People development is a key focus of our company's strategy, and is driven at the board level by the Executive Resource & Compensation Committee.

Sembcorp developed the My Career Journey @ Sembcorp framework to identify, develop and deploy employees to take up roles across the organisation. The framework encompasses three aspects:

**i. Strategic workforce planning**

Precise growth areas within Sembcorp are mapped, giving us a clear picture of skills and capabilities required. This helps us ensure that

the right people are in the right jobs, and can be deployed in the right locations.

**ii. Competency framework**

The competency framework spells out the competencies and behaviours expected of a Sembcorp employee. The framework is deployed through recruitment, assessment, development and career progression. This framework is also an evaluative tool that highlights areas of developmental need, not only for the individual, but also for the organisation as a whole to address.

**iii. Development journeys**

Employees are developed through on-the-job learning, exposure and formal training as well as a mentorship programme for high-potential employees.

The framework aligns the development of the organisation and individuals, addressing both organisational needs and employee aspirations.

*Performance appraisals*

All employees undergo half-yearly performance appraisals, where performance against expectations, training needs and targets for the coming year are discussed and agreed upon by employee and supervisor. As an assessment of core competencies and areas for improvement is embedded in the appraisal format, going through the appraisal process also helps to inculcate our core values in every employee, and provides clarity on the competencies and functional skills needed for their development.

*Employee learning and development*

To promote learning and development throughout the organisation, all supervisors are given the mandate to oversee and drive the development of their employees.

Our engineers and technicians receive up-to-date technical training by experts. All employees are also encouraged to attend professional courses relevant to their roles.

We offer employees the opportunity to develop their careers and gain international exposure through job rotations and attachments in different cultural and operational settings. We currently have more than 50 employees of different nationalities seconded from our Singapore offices to various overseas operations. We also provide internships and industrial attachments which offer students and Sembcorp scholars practical experience and exposure to our operations while they undergo their studies.

We support our employees in their pursuit of continuous improvement and higher qualifications and also sponsor selected employees who wish to pursue higher qualifications in fields of study relevant to their work. To develop our leaders, the company sponsors senior executives to undergo programmes at leading institutes such as Harvard Business School, The University of Pennsylvania Wharton School, INSEAD and Temasek's Business Leadership Centre. Sembcorp scholarships are also offered to promising students at various tertiary institutions, following which a comprehensive development plan is mapped out to groom them for management positions.

As an industry leader in various sectors, Sembcorp encourages our employees to share and exchange best practices through platforms such as seminars, roadshows and local and international conferences.

*Developing local capability*

We believe in recruiting and retaining local talent as a long-term investment and strategy for our operations. This leads to knowledge transfer and capability development for the local community.

Localisation plans play an important part in our strategy for the sustainable growth of our overseas projects. Targets are set to progressively localise our overseas operations' workforce across all positions, including management positions, in line with each jurisdiction's regulatory and operating environment. Where operations commence in a new market, employees who are seconded from our head office to start up the operations are given a clear responsibility to develop local talent. Capability development plans are designed for local employees hired and with the gradual localisation of the team, the number of expatriates seconded from head office is then progressively reduced.

All employees are given the same development opportunities across the Group, and at our overseas operations, local employees are also encouraged to develop their professional and managerial skills through international exposure, such as on-the-job training in Singapore or at other Sembcorp operations around the world.

**2014 performance**

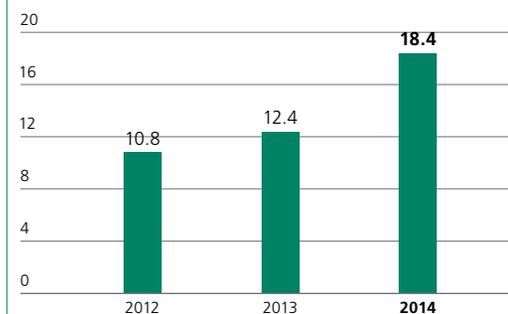
The continued implementation of our competency framework and the enhancement of our learning and development framework were our main areas of focus in 2014.

We remain committed to meeting our localisation targets. In 2014, three Omani employees underwent a customised training programme in Singapore. The programme consisted of on-site training at our operations, as well as workshop sessions.

**Going forward**

In 2015, we will focus on implementing the learning and development framework for employees. The framework will be guided by a learning strategy, and lays out a model to chart the most efficient and relevant way to execute learning needs.

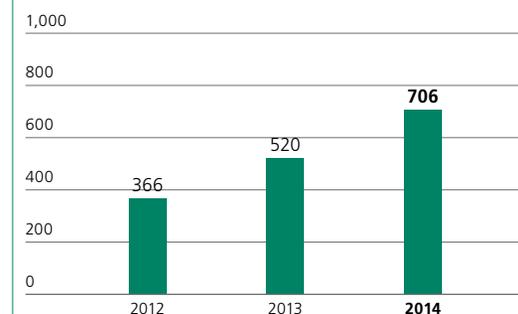
**Employee Turnover<sup>1</sup> (%)**



Employee turnover rose to 18.4% in 2014. This increase was mainly due to the restructuring of our business on Teesside in the UK. The restructuring was carried out in close consultation with the local union, with mutually agreed selection criteria and restructuring process. In 2014, our voluntary turnover was 11.0%.

<sup>1</sup> The data covers both voluntary and involuntary turnover of permanent employees of Sembcorp and its subsidiaries, excluding Sembcorp Marine.

**Training Cost Per Employee<sup>1</sup> (\$\$)**



Training cost per employee in 2014 increased by 36% to S\$706 compared to 2013. This can be attributed to an increase in in-house training courses held in conjunction with the implementation of our competency framework. The increase was also partially due to engagement efforts with overseas business units resulting in improved reporting.

<sup>1</sup> Training data covers both permanent and contract employees of Sembcorp and its subsidiaries, excluding Sembcorp Marine. The rest of the indicators in the People section relate to permanent employees of Sembcorp and its subsidiaries, excluding Sembcorp Marine.

Unless otherwise stated, all People data reported relates to Sembcorp's permanent employees. For more performance data, please refer to the People portion of the Sustainability section of our website.

**Health, Safety and Environment**  
 To instil sound and practical health and safety management as part of our workplace culture, and protect the environment in the conduct of our business activities and generation of our products and services through good environmental practices

**Why this is material**

**Occupational health and safety**

Effective occupational health and safety management prevents and mitigates health and safety-related incidents, protects our workforce and helps to reduce disruption to our operations. It also ensures compliance with applicable laws and regulatory requirements in all the countries we operate in.

We regard the health and safety of our people as top priority, and seek to provide a working environment that exceeds regulatory obligations for our employees and others who work on or visit our premises. We are also committed to enforcing safe working practices within our sphere of influence.

**Climate change**

Our businesses are exposed to potential regulatory, physical and supply risks related to climate change, and as a company we also recognise the threat that climate change presents to the planet. We adhere to and support common policy positions adopted by governments on climate change, whilst keeping abreast of the wider body of academic and institutional research related to the subject.

We believe that our businesses can leverage innovative technology and renewable resources

to provide competitive and reliable energy and water solutions to customers and communities, while mitigating the impact of climate change.

**Environmental protection**

Sembcorp recognises its duty to conserve the natural environment and resources whilst going about its businesses. Our businesses consume primary resources and it is in these areas that our responsible stewardship can have the greatest impact.

**HIGHLIGHT**

**Strengthening the Management and Governance of HSE**

Excellence in HSE is a journey which requires constant vigilance and striving for continuous improvement. In 2014, we reviewed our frameworks for health and safety management and formulated a plan to enhance and strengthen them. The plan, which was endorsed by our board's Risk Committee and spearheaded by our Group President & CEO, aims to encourage a greater level of behavioural observation and intervention by employees and contractors, so as to prevent accidents and near-misses. Key elements of the plan include the formulation of Sembcorp Life Saving Rules, as well as the setting up of Safe Operation Committees at our operational and project sites to strengthen the management of HSE.

**Management approach**

HSE management is embedded alongside compliance with legal and regulatory requirements in work processes applicable to all phases of Sembcorp's business – from business development and project development, to asset management. We strive for continuous improvement in our HSE performance, and apply an integrated management approach in accordance with the Plan-Do-Check-Act methodology:



**Sembcorp's HSE Strategy**

**Leadership commitment**

- Board-level oversight
- HSE initiatives led by senior management

**Continuous improvement**

- Implementation of key HSE requirements
- Standardisation of management systems

**Effective communication**

- Reinforce HSE processes through effective communication

**HSE policy and guidelines**

Sembcorp's Group HSE Policy articulates our commitment to our stakeholders with respect to HSE. It is available in the Sustainability section of our website.

The Group's HSE guidelines outline the roles and responsibilities of the relevant departments and business units, in line with the Group HSE Policy. The guidelines are endorsed by the board's Risk Committee. Business units under the management and operational control of Sembcorp must comply with the requirements set out in the HSE guidelines, and must monitor performance relating to standardised key HSE indicators based on our 4/0 targets. The 4/0 targets refer to: zero harm to people, zero damage to the environment, zero damage to assets and zero non-compliance with legal and regulatory requirements.

The Group HSE department coordinates our global HSE efforts across our business units and establishes HSE reporting structures. It works closely with regional HSE coordinators to ensure the effective and timely management of HSE issues across the Group.

Sembcorp encourages the implementation of internationally recognised HSE management systems across our operations. For detailed disclosure of certifications achieved by Sembcorp's businesses, please refer to the Awards, Memberships and Certification portion of the Sustainability section of our website.

**Training and audits**

Adequate and relevant training is key to improving our HSE performance. Training needs arise from various situations, including new appointments, legal and / or regulatory requirements, as well as risk control and business needs. These needs are identified and the appropriate training implemented.

The Group HSE department also organises an annual global workshop. The workshop updates business units on our HSE priorities and facilitates the sharing of best practice case studies across a range of topics, including technical performance and cross-cultural HSE management. This helps our business units to learn from one another and improve their HSE performance, and supports their planning of the following year's goals and initiatives.

Periodic HSE cross-audits are also conducted for our overseas operations to ensure compliance and promote continuous improvement.

#### Occupational health and safety

We are committed to preventing and reducing workplace injuries and occupational illnesses through active management of risks associated with our activities and services. The Group HSE Management System requires our business units to have programmes in place to manage occupational health hazards and the risk of occupational illnesses. For example, it is a requisite for every operating site to appoint a dedicated HSE officer to support the management of HSE issues in accordance with our requirements and procedures. Monthly safety inspections are conducted, and findings are recorded, analysed and tabled for discussions. Examples of safe practices in operating units include mandatory precautions, such as permits to work, to ensure that our employees and contractors are equipped with the right training and equipment when performing potentially hazardous work. Identifying critical risk and safety elements for high risk activities, such as work at height and lifting operations, and ensuring strict adherence to safety requirements are also key controls enforced on our sites.

#### *Project and asset life cycle risk assessment and prevention*

As risk assessment is the cornerstone of effective health and safety management, we seek to ensure that all hazards have been identified and their risks assessed at all relevant stages of the project and asset life cycle: from pre-bid due diligence study, to design, construction, operation and decommissioning phases.

We implement suitable control systems, such as engineering safeguards (including guards, interlocks and local exhaust ventilation) and procedural safeguards (including permits to work, adequate training and supervision) to prevent harm to people and equipment at the point of risk. We emphasise the importance of providing and maintaining adequate workplace controls throughout the entire operation process.

#### Climate change

As a global energy player, we recognise that investing in energy-efficient, renewable and low-carbon technologies not only helps manage emissions, but also makes business sense. We are committed to setting achievable energy efficiency and renewable energy targets, and developing strategies to mitigate the impact of our operations on the environment.

We adopt a four-pronged approach to climate change:

- Maintaining a diversified generation portfolio
- Growing our renewable energy business as part of a balanced portfolio
- Energy-efficient power and water facilities
- Active stakeholder engagement

For further details on Sembcorp's approach to climate change, please refer to the HSE portion in the Sustainability section of our website.

#### Environmental protection

At Sembcorp, we aim to ensure adequate resources are allocated to maintain environmental quality where we operate.

Environmental studies are carried out in accordance with national and / or international standards and methodologies for new major projects and expansions. These studies include environmental impact assessments, environmental baseline studies and pollution control studies. All recommendations put forth from the assessments form part of our management of HSE risks and are incorporated in the planning, design, construction and commissioning of new plants.

#### *Atmospheric emissions*

Our management approach to reduce fuel consumption and increase energy efficiency also helps to reduce atmospheric emissions. In addition, we minimise atmospheric emissions through various technologies, including catalytic convertors and adjusting combustion temperatures for nitrogen oxide (NO<sub>x</sub>) and carbon dioxide (CO<sub>2</sub>) control. Emission levels are monitored at our energy plants, where emissions are significant.

#### *Water*

Sembcorp's facilities are able to effectively treat multiple streams of industrial wastewater to meet effluent discharge standards, including effluent with a wide-ranging chemical oxygen demand and salinity. Our comprehensive water sampling and testing regime ensures consistent compliance with such standards.

In designing our various wastewater treatment facilities, we employ a specialised configuration of treatment processes targeted at the expected feedwater profile, in order to treat the wastewater

in the most effective and energy-efficient manner. Treatment processes applied include mechanical, chemical, biological or membrane technologies, or a combination of a number of these.

Furthermore, we are able to use treated effluent from our wastewater treatment facilities to produce high-purity water for industrial use, such as high grade industrial water and demineralised water. By integrating wastewater treatment, water reclamation and water supply in a closed loop, Sembcorp helps its customers reduce their environmental impact and conserve water resources.

Sembcorp also owns and operates large-scale water reuse and seawater desalination facilities, which offer a sustainably-sourced, high-quality water supply for industries and households in water-scarce areas.

#### *Waste and spills*

Sembcorp actively develops capabilities to recover energy from waste. An example is our Sembcorp Woodchip Boiler Plant in Singapore, which uses woodchip processed from waste wood collected by our solid waste management arm to produce economical and renewable steam. This demonstrates our capability to manage the entire energy-from-waste value chain and leverages synergies between our energy and solid waste management businesses.

In addition, all hazardous waste generated by our operations or collected by us on behalf of our customers is disposed of in accordance with local regulations. In the instance of an emergency arising from major spillage or hazards at our industrial facilities, emergency response plans will be activated.

### 2014 performance

It is of utmost importance to us that our operations do not pose a risk to the safety of our employees, contractors or local community. It is therefore with deep regret that we report that our company vehicles were involved in three fatal road traffic accidents, two in Singapore and one in South Africa. In Singapore, the first accident involved a waste truck colliding with a cyclist while reversing into a bin centre. The second took place while one of our company's waste trucks was travelling on a highway, when a motorcyclist in an adjacent lane skidded under our truck. In the first case, the driver was found to be at fault and dismissed from his employment with us. In the second case, the driver was cleared of wrongdoing and subsequently returned to work. In South Africa, our company vehicle collided with a pedestrian on a public road, and investigations are still ongoing. In all three cases, the drivers were immediately suspended from work while investigations were ongoing. The company and these employees fully cooperated with authorities conducting investigations into the incidents. Assistance was also rendered to families of the deceased, our drivers and their families. Drivers who returned to work underwent counselling beforehand to ascertain their ability to resume their duties. Corrective measures were put in place where necessary to prevent recurrence, and the lessons learnt were shared with other drivers and crew members through briefings.

This year, with the endorsement of our board's Risk Committee, we developed a group-wide health and safety improvement plan. Adherence to the plan is mandatory for all our subsidiaries, including projects in development. Key elements of this plan include the formation of Safe Operation Committees on our sites, as well as the Sembcorp

Life Saving Rules. The rules, which apply to all employees and contractors working on our premises, set out clear and simple "dos" and "don'ts" for high risk activities. These rules aim to bring about a greater level of awareness, observation and intervention among our employees and contractors, so as to prevent accidents and near-misses. Non-adherence to these rules may result in the immediate removal of the employee or contractor from site as well as disciplinary action, depending on the severity of the infraction. A workshop spearheaded by our Group President & CEO and attended by the heads of key business units was held in December to launch and communicate this initiative.

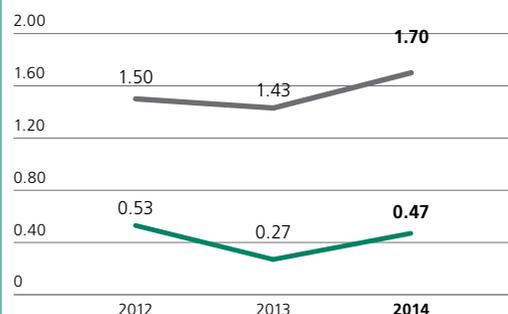
We recognise that adherence to plans and procedures is the first line of defence against incidents, and aim to tighten our validation and verification process to ensure these plans and procedures are implemented properly.

We remain committed to ensuring the efficiency of our operations while optimising our use of resources. In 2014, we finalised our plans for two energy efficiency initiatives for our operations in Singapore. We re-designed an existing boiler to use our customers' process by-product as fuel, thereby eliminating the need for natural gas as fuel for steam production. We also developed the Sembcorp Energy Optimiser. This online tool selects the most efficient and reliable mix of assets and fuel inputs to use based on energy demand and prices, in order to achieve higher reliability and efficiency.

Our NO<sub>x</sub> emissions were 3,162 tonnes and our sulphur oxide (SO<sub>x</sub>) emissions were 732 tonnes in 2014. Water discharged in 2014 amounted to 1,089 million cubic metres.

### Injury Rate Per 200,000 Man-hours<sup>1,2</sup>

- Subsidiaries in operation excluding solid waste management operations
- Solid waste management operations in Singapore<sup>3</sup>



Injuries were largely due to human factors, which will be addressed in a group-wide health and safety improvement plan for 2015. Recognising the greater exposure to risk of injury in our solid waste management operations, we have taken steps to prevent injuries. These include installing a "mobile eye" system on our fleet to alert our drivers of impending danger, cameras on our vehicles to assist our drivers, and refresher training and lessons learnt workshops for the crew as ongoing programmes to continuously improve performance in this area.

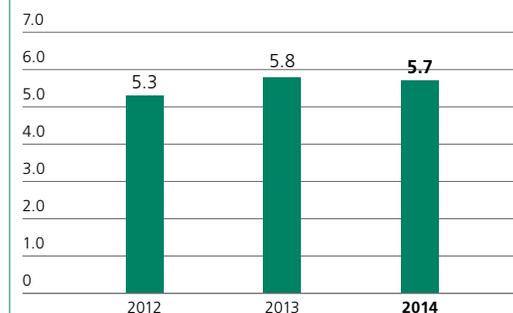
<sup>1</sup> Occupational health and safety data includes employees and contractors.

<sup>2</sup> 200,000 man-hours is roughly equivalent to the total number of hours worked by 100 full-time employees in a calendar year.

<sup>3</sup> Occupational health and safety data for our solid waste management operations in Singapore is reported separately as this business employs manual labour to a greater degree and has a different risk profile from our other businesses.

### Direct Greenhouse Gas Emissions<sup>1</sup>

(million tonnes of CO<sub>2</sub> equivalent)

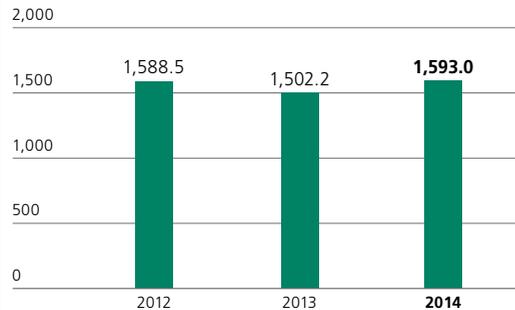


Direct GHG emissions remained steady in 2014. The marginal decrease in GHG emissions was due to slightly lower generation volume at our operations in Oman and the UAE, as well as the retirement of coal-fired assets on our Wilton International site in the UK, in line with Sembcorp's strategy to transform the site into a green hub.

We report emissions from the combustion of biomass separately, in accordance with GRI guidelines. These emissions amounted to 1.1 million tonnes of CO<sub>2</sub> equivalent in 2014 compared to 0.7 million tonnes in 2013. The significant increase was due to the aforementioned shift towards biomass at our UK operations, and the doubling of biomass-fuelled generation capacity in Singapore.

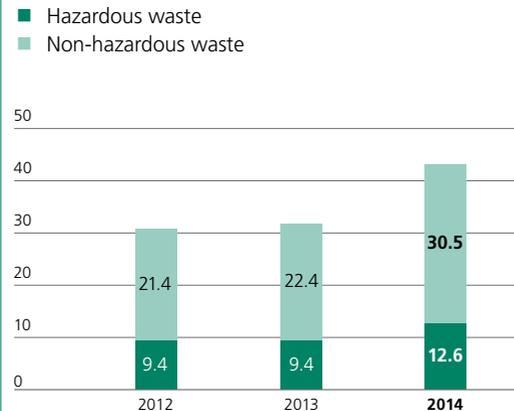
<sup>1</sup> Emissions data covers entities that produce direct GHG emissions from the combustion of fossil fuel. It excludes emissions from anaerobic wastewater treatment plants, as well as emissions from the use of diesel in vehicles and maintenance and servicing equipment. CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O emissions are included in the calculation of direct GHG emissions. HFCs, PFCs, SF<sub>6</sub> and NF<sub>3</sub> emissions are excluded. Global warming potential factors used are from the IPCC Fourth Assessment Report for the 100-year time horizon.

**Water Withdrawal** (million m<sup>3</sup>)



Water withdrawal increased by 6% in 2014 from the previous year, primarily due to increased activity from our water utilities business in Singapore and the Middle East.

**Waste Disposal<sup>1</sup>** (thousand tonnes)



Hazardous waste disposed increased by 34% against the previous year. This increase was due to the higher reliability of our operations, resulting in longer runs which produced a larger volume of ash. Non-hazardous waste increased by 36%. This increase was due to the aforementioned longer boiler runs at our operations, and a second boiler at our woodchip boiler plant in Singapore coming onstream, both of which contributed to larger volumes of ash. Major maintenance activities also contributed to the disposal of metal scrap.

<sup>1</sup> The data excludes waste that is collected and incinerated for our customers.

For more information on our HSE performance, please refer to the HSE portion in the Sustainability section of our website.

**Going forward**

While we have made improvements to our management of HSE, we recognise that there is much more to do. In the area of health and safety management, we are determined to strive for continuous improvement and instil a stronger, more pervasive safety culture. Ensuring responsible and safe operations remains our top priority. We will focus on establishing Safe Operation Committees in our global operations, as well as implementing and enforcing the Sembcorp Life Saving Rules. In our solid waste management operations, we plan to implement a mandatory defensive driving refresher course for drivers to improve their safety awareness. Real-time digital recording cameras

have been installed on most of our vehicles and monthly driver briefings using footage taken from vehicular recordings will be held to share lessons learnt, and further promote safe driving. A driver's handbook with safe driving tips which is currently available in English will be translated into Chinese and Malay languages.

We plan to implement our zero natural gas boiler project and Sembcorp Energy Optimiser at our Singapore operations after necessary regulatory approvals have been received.

**Community**

To be a responsible business, making a positive contribution to our communities

**Why this is material**

**Community integration**

Sembcorp provides solutions that are essential to everyday life. We view our support and contribution to our host communities as a part of our licence to operate. We are therefore committed to assessing and responsibly managing our impact, as well as investing in our local communities.

**HIGHLIGHT**

**Inspiring the Next Generation of Energy Leaders**

In 2014, we announced a partnership with Singapore's EMA to launch the Sembcorp-EMA Energy Challenge. This national annual competition aims to nurture and inspire youths in Singapore to become future energy professionals. Participants will take part in sharing sessions by industry experts and plant visits, and will then get to apply their knowledge to real-life challenges faced by power professionals in an exciting game. This initiative will complement what the students learn in school, show them what the life of a power engineer is like, and support the government's drive to attract more young people into the local energy industry.

**Management approach**

The needs of one community can be very different from another's, and it is our belief that our local operations will be in the best position to understand those needs and partner local stakeholders to help address them. Therefore, while the Group provides the strategic framework, tools and guidelines to

ensure consistency and acceptable standards, community integration is managed at the local level.

Sembcorp's global corporate social responsibility (CSR) framework establishes a strategic and consistent approach for our charitable contributions and community investments. We focus on fostering environmental stewardship as well as improving the living standards and quality of life of the communities we are in.



**Environment**

We are committed to fostering environmental stewardship in our community through contributions to sustainability and environmental initiatives.



**Community**

We are committed to improving the living standards and quality of life of the community, such as through providing access to energy and water, social welfare and education.

Our CSR framework also aligns the tracking and reporting of our community contributions with guidelines set by the London Benchmarking Group. This allows us to account for our total community giving using standard definitions and valuations, while ensuring that contributions recorded are meaningfully spent on community investment activities.

Assessing and responsibly managing our impact on local communities is key to successful community integration and acceptance. Environmental impact studies are carried out in accordance with national and / or international standards and methodologies

for new major projects and expansions. Some of these studies include social impact assessments and social management plans which are implemented through the various stages of the site's development.

We seek to nurture open communication in the communities we operate in. At our local sites, various communication platforms including community liaison panels and meetings, and telephone and email exchanges are utilised to connect with our communities.

**2014 performance**

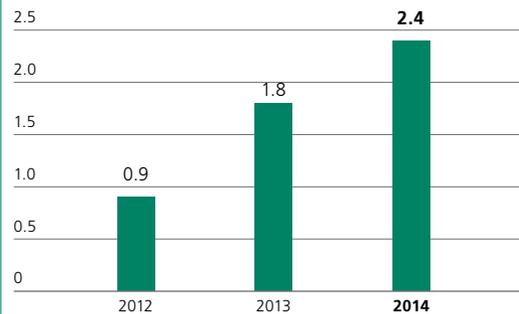
In 2014, Sembcorp and Sembcorp Marine contributed S\$5.8 million across our global operations in terms of charitable contributions and community investments. Excluding Sembcorp Marine's contribution, S\$2.4 million in cash, time and in-kind donations were contributed by Sembcorp. The contribution supported initiatives in aid of causes including youth development, environmental and water conservation education, as well as apprenticeships and job training programmes. During the year, we presented the Festival of Biodiversity in partnership with Singapore's National Parks Board (NParks). The event engaged more than 15,000 members of the public on Singapore's environment heritage and conservation. We received recognition for our support of environmental conservation with NParks naming a 100-year-old heritage tree in the Singapore Botanic Gardens after our company. This is a rare honour only given to a handful of companies who have made significant contributions over the years to the greening of Singapore.

73% of our operations had local community engagement and / or development programmes.

We continue to be committed to creating economic and social benefit for the communities in which we operate. Our products and services such as the provision of energy and water contribute to thriving local economies and healthy local communities.

For more information on our community initiatives, please refer to the Sembcorp in Our Communities page on our website.

**Community Contributions<sup>1</sup>** (S\$ million)



In 2014, our community contributions in cash, time and in-kind increased by 27% compared to 2013. This is mainly due to our contribution to enhance the Sembcorp Cool House, a temperature-controlled glasshouse at the National Orchid Garden within the Singapore Botanic Gardens. As part of Singapore's Jubilee celebrations, Sembcorp has committed to donate S\$10 million over four years to establish the Sembcorp Cool House as a world-class destination of educational and scientific value.

<sup>1</sup> Data excludes contributions by Sembcorp Marine.

**Going forward**

We will continue to enhance our Group's frameworks and guidelines, including the integration of impact assessments into our investment approval process.

**CASE STUDY**

**Making a positive impact in Salalah, Oman**

The accessibility of potable water is a key concern in the Middle East. Historically, groundwater formed the main source of water for the community, resulting in issues such as the risk of over-extraction.

With the opening of Sembcorp's Salalah independent water and power plant (IWPP), the first large-scale seawater desalination facility in the Salalah system, today 85% of the water needs in the Dhofar governorate are instead met through the plant's 69,000 cubic metres per day capacity. The plant currently supplies water to approximately 170,000 people.

The reliable provision of good quality desalinated water has enabled the region to reduce its withdrawal of groundwater. At the same time, this has helped to meet the rapidly increasing demand for water in the area.

The local population has benefitted from the marked improvement in the quality of water.

In the past, Dhofar's groundwater was at risk of contamination from factors such as saline intrusion and surface pollution. Filtered groundwater used by residents also had a high concentration of calcium and other minerals, resulting in health impacts from consumption, a chalky residue left on the skin after a bath, as well as sediment collection on washed crockery and utensils. With the supply of desalinated water from Sembcorp's Salalah IWPP, residents now enjoy a supply of good quality drinking water from a safe source and an improved quality of life.

Furthermore, the development of Sembcorp's Salalah IWPP has led to a significant contribution to the local economy. During the construction and development phase of the plant, monies paid to local businesses amounted to OMR45 million, or approximately S\$150 million.

# INVESTOR RELATIONS

**At Sembcorp, we are committed to ensuring that all capital market players have easy access to clear, reliable and meaningful information on our company in order to make informed investment decisions.**

In the context of constantly evolving requirements of disclosure, transparency and corporate governance, we aim to provide investors with an accurate, coherent and balanced account of the Group's performance. Sembcorp has a dedicated investor relations team and communicates with the investing public through multiple platforms and channels. These include group briefings to analysts, investors and the media; one-on-one meetings with shareholders and potential investors; investor roadshows as well as the investor relations section of our corporate website. In addition, company visits and facility tours are also organised to help investors gain insights into the Group's operations.

## PROACTIVE COMMUNICATION WITH THE FINANCIAL COMMUNITY

During the year, senior management and the investor relations team continued to actively engage with the financial community. We held over 150 one-on-one and group meetings with shareholders, analysts and potential investors. These included non-deal roadshows to international financial centres. In the Asia Pacific, we covered Singapore, Malaysia and Australia; in Europe, England, Scotland and Switzerland; and in North America, Canada and the US. We also participated in six investor conferences: the Credit Suisse 17<sup>th</sup> Annual Asian Investment Conference in Hong Kong, and in Singapore, the Maybank Invest ASEAN Conference,

the dbAccess Asia Conference, the Citibank ASEAN Investor Conference, the Macquarie ASEAN Conference and the Morgan Stanley 13<sup>th</sup> Annual Asia Pacific Summit. We also continued to organise site visits to our facilities on Jurong Island, Singapore to provide analysts and investors a first-hand look at our operations and allow them to gain a better understanding of Sembcorp's capabilities and operational track record.

## COMMITMENT TO GOOD CORPORATE GOVERNANCE

As a strong endorsement of Sembcorp's excellence in corporate governance management and disclosure, Sembcorp won top awards in three out of five categories at the 2014 Singapore Corporate Awards. These included gold awards for Best Managed Board and Best Annual Report for companies with S\$1 billion and above in market capitalisation, as well as the gold award for Best Chief Executive Officer, which was awarded to Sembcorp Industries' Group President & CEO Tang Kin Fei. The Singapore Corporate Awards celebrate the best in corporate governance among listed companies, as well as individuals who, through their corporate practices, have helped to raise Singapore's standard of governance and disclosure. The awards are organised by the Institute of Singapore Chartered Accountants, the Singapore Institute of Directors and The Business Times, and

supported by the Accounting and Corporate Regulatory Authority and the Singapore Exchange.

In 2014, Sembcorp also improved its ranking on the Governance and Transparency Index (GTI) and became the third-highest ranked company on the GTI. A well-respected ranking exercise by the National University of Singapore Business School's Centre for Governance, Institutions and Organisations in collaboration with CPA Australia and The Business Times, the GTI assesses the transparency of 644 Singapore-listed companies' financial disclosures as well as their governance, ethics and rigour in financial reporting.

## TOTAL SHAREHOLDER RETURN

Sembcorp Industries' last traded share price in 2014 was S\$4.45, and the company ended the year with a market capitalisation of S\$8.0 billion. The company's share price averaged S\$5.16 during the year, registering a high of S\$5.55 in April and a low of S\$4.10 in December. Daily turnover averaged 2.1 million shares. In May 2014, we paid out a final tax exempt one-tier dividend of 17 cents per ordinary share for the financial year 2013, comprising a final ordinary dividend of 15 cents per ordinary share and a final bonus dividend of 2 cents per ordinary share.

Falling oil prices, exacerbated by the decision of the Organization of the Petroleum Exporting Countries (OPEC) to maintain oil production levels, sparked a sell-off in oil and gas-related stocks globally. The negative sentiment on the sector has had an impact on the performance of Sembcorp Industries shares, and for 2014, total shareholder return stood at negative 16%. In relative terms, this performance compared favourably against the

FTSE ST Oil & Gas Sector Index's negative 23%; but against the broader market, this was below the Straits Times Index's positive 10% return and the MSCI Asia Pacific ex-Japan Industrials Index's flat performance.

Based on feedback from shareholders and in line with Sembcorp's commitment to deliver shareholder value, we paid an interim dividend for the first time to shareholders, increasing the frequency of dividend payments to twice a year. For the financial year 2014, an interim tax exempt one-tier dividend of 5 cents per ordinary share was declared and paid to shareholders in September 2014. In addition, a final tax exempt one-tier dividend of 11 cents per ordinary share has been proposed, subject to approval by shareholders at the next annual general meeting. Together with the interim dividend, this brings our total dividend for FY2014 to 16 cents per ordinary share.

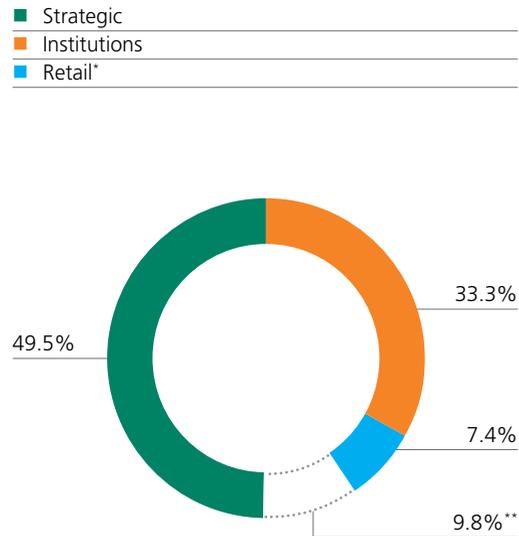
## SHAREHOLDER INFORMATION

In 2014, institutional shareholders as a group continued to dominate Sembcorp's shareholder base. Other than our major shareholder Temasek Holdings which held 49.5% of our shares at the end of 2014, institutional shareholders accounted for 33.3% of our issued share capital or 66% of free float, while retail shareholders<sup>1</sup> and unidentified shareholders<sup>2</sup> held 17.2% of issued share capital or 34% of free float. In terms of geographical spread, excluding the stake held by Temasek Holdings, our largest geographical shareholding base was Europe with 14% of issued share capital, followed by shareholders from North America and Asia which accounted for 12% and 9% of our company's issued share capital respectively.

<sup>1</sup> Retail shareholders include private investors, brokers, custodians and corporates

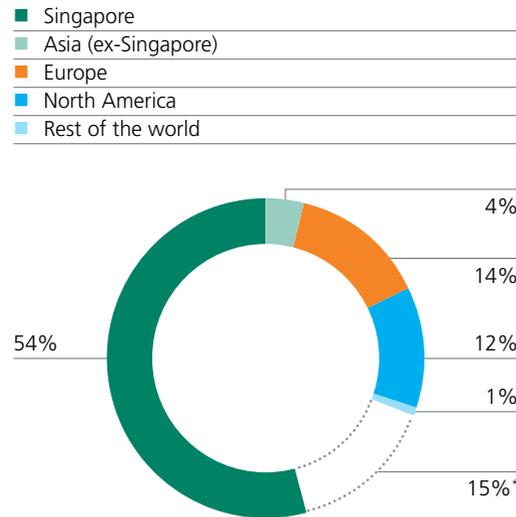
<sup>2</sup> Unidentified shareholders mainly include shareholders that fall below the threshold of 250,000 shares

Share Ownership by Investor Category



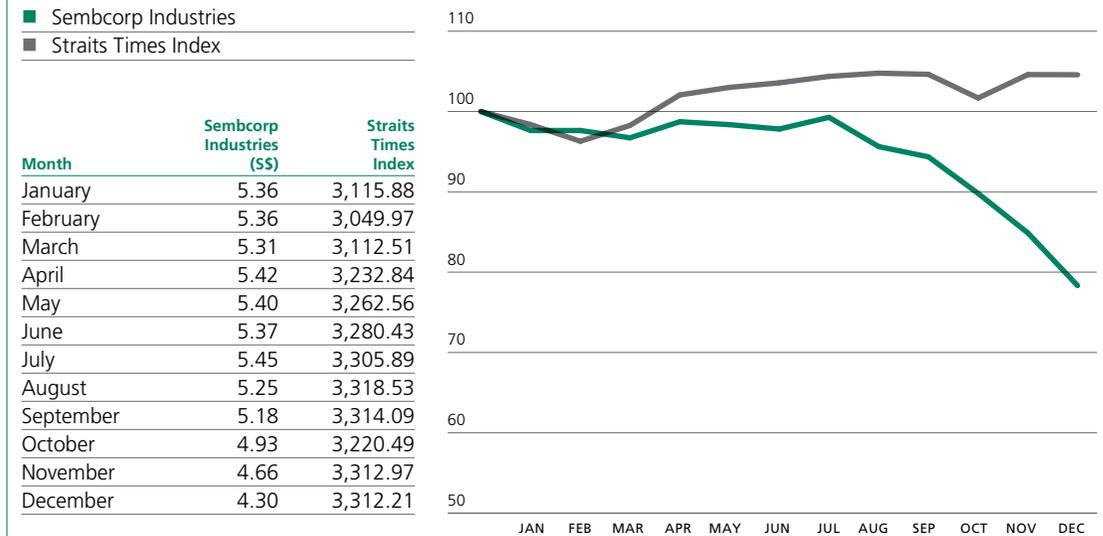
\* Includes private investors, brokers, custodians and corporates  
 \*\* Shareholders not identified mainly include those that fall below the threshold of 250,000 shares  
 As at December 31, 2014

Share Ownership by Geographical Distribution



\* Shareholders not identified mainly include those that fall below the threshold of 250,000 shares  
 As at December 31, 2014

Average Monthly Sembcorp Industries Share Price and Straits Times Index in 2014 (rebased)



Average Monthly Traded Volume of Sembcorp Industries Shares in 2014 (thousands)

