

# managing sustainability

Sembcorp Marine recognises that sustainability is integral to business excellence and long-term competitiveness. Beyond pursuing growth, expansion and profitability, the Group also embraces its environmental, social and governance responsibilities as a people-centred organisation and a good corporate citizen.

Committed to creating value for stakeholders and society, the Group is focused on sound corporate governance, employee development and welfare, health, safety and security excellence as well as community care and environmental protection.

## Reporting Scope

Sembcorp Marine published its second sustainability report in 2012, to cover its approach in embedding sustainability into its policies, structure and day-to-day operations. Conforming to the Global Reporting Initiative (GRI) G3.1 Guidelines, this report fulfills the requirements of GRI Application Level B, as confirmed through the GRI Application Level Check Statement. Over 30 GRI indicators, focusing on the three key areas of Environmental, Social and Governance, have been disclosed.

The report solely covers the Group's headquarters and the five shipyards in Singapore. The yards comprise Jurong Shipyard, Sembawang Shipyard, SMOE, PPL Shipyard and Jurong SML. All data and information reported refer to the Group's Singapore operations from 1 January 2012 to 31 December 2012, unless otherwise stated.

To minimise the impact on the environment, limited copies of this report have been printed and the online report is available at [www.sembcorpmarine.com.sg](http://www.sembcorpmarine.com.sg). A complete overview of GRI standard disclosures and performance indicators can be found in the GRI Index on pages 114 to 118.

## Commitment to Sustainability

Sustainability permeates all facets of Sembcorp Marine's operations and is encapsulated within the Group's corporate vision and eight core values, guiding the way the Group conducts its business and interacts with stakeholders. The importance of sustainability is conveyed to employees and stakeholders through various platforms and events as

well as through communication channels such as the company website, banners, posters and publications.

Using a precautionary approach in managing sustainability issues, Sembcorp Marine has in place an effective framework to align the Group's operations to its sustainability objectives. Strategic business units across the Group's five subsidiary yards as well as the Group's various corporate divisions – including Investor Relations & Communications, Human Resource, Finance, Legal and Secretariat, Internal Audit and Risk Management – play a proactive role in steering sustainability in areas such as environment, health, safety, security, human resource, finance and governance.

There are also cross-functional work teams, where members from different disciplines contribute their knowledge and expertise to address sustainability issues in a comprehensive and coordinated manner. These work groups operate at the Group level and include the Health, Safety, Security and Environment Committee, Enterprise Risk Management Committee, Project Risk Management Committee, Finance Committee as well as the Corporate Social Responsibility Committee.



# Communication Platforms in 2012

## Customers



- Annual alliance meetings with partners
- Customer surveys and feedback forms
- Regular project coordination meetings and customer visits
- Naming and delivery events for completed projects
- Participation at exhibitions, conferences and networking events
- Corporate website, e-mailers and newsletters

## Suppliers & Contractors



- Toolbox meetings and safety briefings
- Inspections and quality checks
- Safety campaigns and events
- Performance audits
- Site inspections of projects
- Ongoing dialogues with partners
- Training sessions for contractor partners

## Employees



- Bi-annual engagement survey
- Rollout of flexible benefits scheme
- Briefings and toolbox meetings
- Training and development programmes
- Social events including festive celebrations
- Meet management sessions
- Safety and innovation campaigns
- Union-management dialogues
- Newsletters, posters and memos

## Financial Community (incl. regulators & media)



- Quarterly results announcements and news releases
- Briefings for analysts and media
- More than 120 meetings and conference calls
- 19 site visits to yards
- Annual General Meetings
- Roadshows and investor conferences
- Corporate website and newsletters

## Government & Industry Partners



- Participation in exhibitions including Offshore Technology Conference, Posidonia and Shipbuilding, Machinery & Marine Technology International Trade Fair
- Formal and informal dialogue sessions with government authorities and trade associations on safety, health, manpower, security and environment issues
- Events to promote the industry such as the Latin Asia Business Forum and Amazing Maritime Challenge
- Safety campaigns and training seminars held in conjunction with industry partners

## Local Communities



- Contribution of close to \$2.2 million, including \$315,350 for School Book Assistance Grant Programme
- Scholarships and bursaries for deserving youths and children
- National Day Parade sponsorship and participation
- Green Wave Environmental Care Competition for Schools
- Yard tours hosting more than 1,000 students and other community members
- Philanthropic and volunteering initiatives

## Stakeholder Engagement

In addressing a broad range of material issues affecting the Group, Sembcorp Marine collaborates closely with its diverse stakeholders and communicates regularly to keep them abreast of its latest developments. From these relationships and activities, the Group gains valuable insights into emerging trends, risks and opportunities. These in turn help improve Sembcorp Marine's understanding of the business environment, shape its sustainability approach and align its business strategy better in achieving its strategic vision.

From the study carried out in 2011 in line with the AA1000 Stakeholder Engagement Standard, the main stakeholder groups have been identified as customers, employees, governments and regulators, the investment community, media, members of local communities where it operates, contractors and suppliers.

Stakeholder engagement within the Group occurs on a daily basis and at many different levels of the organisation ranging from formal meetings, dialogue sessions, customer events and initiatives with the community. Key examples of stakeholder engagement in 2012 are highlighted on page 17.

The sections in this annual report on Corporate Governance, Risk Management, Investor Relations and Achieving Sustainability provide further information on the various levels of engagement with the Group's stakeholders.

## Material Issues

To review the material issues and determine its continued relevance to Sembcorp Marine, the second cross-functional workshop was held in the year facilitated by an independent sustainability consultant. Based on the AA1000 five-part materiality test and GRI G3.1 guidelines, issues were assigned based on three categories: Level 1 (critical), Level 2 and Level 3, according to their relevance and significance to internal and external stakeholders.

The table below outlines the 23 issues in these three categories alongside the chapters and page numbers where further information on the issue is disclosed within this annual report. Moving forward, the Group will review these issues on an ongoing basis to ensure they remain relevant and material to its business and stakeholders.

<p><b>Corporate Governance</b> (Pg 26 to 35)</p> <ul style="list-style-type: none"> <li>▲ Regulatory and legal compliance</li> <li>▲ Corporate governance</li> </ul>	<p><b>Risk Management</b> (Pg 36 to 39)</p> <ul style="list-style-type: none"> <li>◆ Crisis management/Business continuity management</li> <li>◆ Reliability and availability of critical assets</li> </ul>	<p><b>Financial Review</b> (Pg 48 to 61)</p> <ul style="list-style-type: none"> <li>▲ Profitability</li> </ul>	<p><b>Enhancing Competitiveness</b> (Pg 84 to 89)</p> <ul style="list-style-type: none"> <li>▲ Customer satisfaction</li> <li>▲ Productivity</li> <li>▲ Product and service quality</li> <li>◆ Research and development and investment in technology</li> </ul>
<p><b>Nurturing People</b> (Pg 90 to 97)</p> <ul style="list-style-type: none"> <li>◆ Talent retention</li> <li>◆ Work-life balance/Staff welfare</li> <li>◆ Learning and development</li> <li>◆ Foreign workers' welfare</li> </ul>	<p><b>Workplace Safety and Security</b> (Pg 98 to 103)</p> <ul style="list-style-type: none"> <li>▲ Workers' safety</li> <li>▲ Health and safety performance</li> <li>◆ Security</li> </ul>	<p><b>Protecting the Environment</b> (Pg 104 to 109)</p> <ul style="list-style-type: none"> <li>▲ Air quality management</li> <li>▲ Water resource management</li> <li>▲ Waste management</li> <li>▲ Energy management</li> <li>◆ Materials usage</li> <li>◆ Recycling potential</li> </ul>	<p><b>Caring for the Community</b> (Pg 110 to 113)</p> <ul style="list-style-type: none"> <li>■ Community initiatives</li> </ul>

▲ Level 1 issues (Most critical)    ◆ Level 2 issues    ■ Level 3 issues

# Summary of Financial, Social and Environmental Performance

	2010	2011	2012
<b>Financial</b>			
Turnover (S\$'000)	4,554,863	3,960,230	4,430,123
Net profit (S\$'000)	860,266	751,903	538,453
Economic value added (S\$'000)	740,319	582,451	383,555
<b>Environmental</b>			
Direct energy consumption (GJ)	738,199	827,245	857,641
Indirect energy consumption (GJ)	526,966	553,418	615,258
Steel consumption* (mT)	79,400	124,668	163,012
Water consumption (m <sup>3</sup> )	2,001,390	2,114,418	2,352,321
Non-hazardous waste* (mT)	37,779	40,422	39,493
Hazardous waste* (mT)	1,737	2,200	4,015
Used copper slag for recycling* (mT)	97,079	113,101	95,560
Steel scrap for recycling* (mT)	26,720	22,977	32,546
GHG emissions from direct energy (tCO <sub>2</sub> e)	49,062	54,980	56,803
GHG emissions from use of liquefied gases (tCO <sub>2</sub> e)	72,499	204,178	215,498
GHG emissions from indirect energy (tCO <sub>2</sub> e)	73,804	79,231	87,948
<b>Social</b>			
Headcount	8,624	9,479	10,458
Investment in training (\$m)	3.7	4.5	5.0
Employee turnover rate (%)	13.1	10.2	9.2
Community investments (\$m)	1.0	1.8	2.2
Accident severity rate (per million man-hours)	68.3	271.4	86.8
Accident frequency rate (per million man-hours)	0.4	0.4	0.7
Workplace injury rate	- #	143.7	378.8

## Future Reporting

The journey towards sustainability is a continuous one. The report will be built upon to include how sustainability issues are managed in all significant local and overseas operations. Over time, the report will also expand on the number of indicators and provide more in-depth disclosure. The Group is also working towards external assurance for future reports.

For feedback and suggestions on the Group's sustainability report, please email Investor Relations & Communications Department at [ir@sembcorpmarine.com.sg](mailto:ir@sembcorpmarine.com.sg).

◆ Figures have been revised to reflect improved data sources from PPL Shipyard and SMOE

★ Figure excludes PPL Shipyard, where waste disposal volume was not tracked through its outsourced licensed disposal vendors

# The workplace injury rate indicator was introduced in 2011