

CORPORATE GOVERNANCE

Sembcorp Marine Ltd and its subsidiaries (“Sembcorp Marine” or the “Group”) believe that good corporate governance supports long-term value creation. To enhance corporate performance and accountability, corporate governance principles are embedded in Sembcorp Marine’s corporate culture. The Group’s corporate culture is anchored on (i) effective leadership, (ii) robust internal controls and (iii) a set of core values.

This report outlines Sembcorp Marine’s corporate governance practices with reference to Singapore Code of Corporate Governance 2012 (the “Code”). The Group has complied in all material aspects with the principles and guidelines set out in the Code and any deviations are explained in this report.

Governance Disclosure Guide

Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code. In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?

Sembcorp Marine Corporate Governance Framework



CHAIRMAN

Key Responsibilities:

- Lead the Board to ensure its effectiveness on all aspects of its role
- Promote a culture of openness at the Board
- Encourage constructive relations within the Board and between the Board and Management
- Facilitate effective contribution of Non-Executive Directors

11 DIRECTORS
8 Independent Directors, 3 Non-Independent Directors



Key Responsibilities:

- Set values, mission and vision statements
- Provide guidance to Management
- Set strategic objectives
- Review Management performance
- Establish a framework of prudent and effective internal controls
- Consider sustainability issues as part of its strategic formulation

THE BOARD OF SEMBCORP MARINE

Audit Committee

- 4 Members
- 3 Independent Directors
- 1 Non-Independent Director

Board Risk Committee

- 5 Members
- All Independent Directors

Executive Committee

- 6 Members
- 4 Independent Directors
- 2 Non-Independent Directors

Executive Resource & Compensation Committee

- 4 Members
- All Independent Directors

Nominating Committee

- 3 Members
- All Independent Directors

Special Committee

- 4 Members
- 3 Independent Directors
- 1 Non-Independent Director

BOARD MATTERS



THE BOARD'S CONDUCT OF ITS AFFAIRS

PRINCIPLE 1:

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board aims to create value for shareholders and ensure the long-term success of the Group by focusing on the right strategy, business model, risk appetite, management and succession planning and compensation framework. It also seeks to align the interests of the Board and Management with those of shareholders and balance the interests of all stakeholders. In addition, the Board sets the tone for the Group on ethics and values.

The Board's primary function is to protect the assets and oversee the business affairs of the Group and is accountable to shareholders for the long-term financial performance of the Group. The Board reviews and approves policies, annual budget, major funding, investment and divestment proposals, risk tolerance levels, appointment of CEO and Directors, appointment of Board committees, sustainability and material issues.

The Group has established financial authorisation and approval limits for operating and capital expenditures, the procurement of goods and services, and the acquisition and divestment of investments. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the Executive Committee or the President & CEO to optimise operational efficiency.

Governance Disclosure Guide

*Guideline 1.5:
What are the types of material transactions which require approval from the Board?*

Material items that require the Board's approval include:

- strategic direction and business plans
- policies and terms of reference
- annual budget
- full-year, half-year and quarterly financial results
- dividend policy and payout
- issue of shares
- board succession plans
- appointment and compensation of Group CEO
- appointment of Directors and appointment on Board committees
- major funding proposals, investment and divestment proposals
- risk appetite or tolerance level, risk strategy and policies for management of material risks
- major capital expenditures
- review Management's performance
- sustainability issues material to the business



CORPORATE GOVERNANCE

Six (6) committees have been established to assist the Board in discharging its stewardship and fiduciary obligations based on clearly defined terms of reference. These terms of

reference are reviewed by the Board on a regular basis and any changes require the Board's approval.

Board Composition and Committees

Board Members	Audit Committee	Board Risk Committee	Executive Committee	Executive Resource & Compensation Committee	Nominating Committee	Special Committee
Tan Sri Mohd Hassan Marican			Chairman	Chairman	Member	Member
Ajaib Haridass			Member	Member	Chairman	Member
Ron Foo Siang Guan	Chairman	Member				
Lim Ah Doo	Member					Chairman
Bob Tan Beng Hai	Member	Chairman	Member			
Eric Ang Teik Lim		Member		Member	Member	
Gina Lee-Wan		Member				
William Tan Seng Koon		Member	Member	Member		
Neil McGregor			Member			
Koh Chiap Khiong	Member					Member
Wong Weng Sun			Member			
IDs – Independent Directors	3 of 4 are IDs	5 of 5 are IDs	4 of 6 are IDs	4 of 4 are IDs	3 of 3 are IDs	3 of 4 are IDs

Other ad hoc committees may be formed from time to time to look into specific areas of the Group's needs.

Other than the Audit Committee, Board Risk Committee, Executive Resource & Compensation Committee and Nominating Committee which were constituted in accordance with the Code, the Executive Committee ("Exco") was constituted to assist the Board in reviewing and approving matters as required under the Group's policies. The Exco comprises the following members, the majority of whom, including the Chairman, are non-executive and independent:

Tan Sri Mohd Hassan Marican (Chairman)
 Mr Ajaib Haridass
 Mr Bob Tan Beng Hai
 Mr William Tan Seng Koon
 Mr Neil McGregor
 Mr Wong Weng Sun

The key responsibilities of the Exco include the following:

- Review and make recommendations on matters that would require Board's approval, such as
 - financial performance of subsidiaries;
 - major projects' progress;
 - yard development;
 - marketing reports; and
- Approve certain matters specifically delegated by the Board such as investments, capital expenditure and expenses that exceed the limits that can be authorised by the President & CEO.

The Special Committee ("SC") was constituted to conduct internal investigation into allegations of improper payments in Brazil and deals with issues arising in connection with the matter.

Key Features of Board Processes

The schedules of all Board, committee meetings and the Annual General Meeting ("AGM") are planned one year in advance. The Board meets at least four (4) times a year at regular intervals. Besides the scheduled meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. The Board holds an annual strategy meeting to interact with senior and middle management. In this meeting, the Board is briefed on developments in the markets in which the Group operates, kept up to date on trends and has in-depth discussions on the Group's strategic direction.

The Board also sets aside time at each quarterly scheduled meeting to meet without the presence of Management. In 2017, they met 5 times without the presence of Management.

A record of the Directors' attendance at Board and committee meetings during the financial year ended 31 December 2017 ("FY2017") is disclosed below. Directors who are unable to attend a Board meeting are provided with the board papers and can give comments to the Chairman on matters to be discussed at the Board meeting.

Director	Board Meeting	Audit Committee Meeting	Board Risk Committee Meeting	Executive Committee Meeting	Executive Resource & Compensation Committee Meeting	Nominating Committee Meeting	Special Committee Meeting
	No. of Meetings held: 10	No. of Meetings held: 4	No. of Meetings held: 4	No. of Meetings held: 8	No. of Meetings held: 3	No. of Meetings held: 2	No. of Meetings held: 4
	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Tan Sri Mohd Hassan Marican	10			8	3	2	3
Ajaib Haridass	10			8	3	2	4
Ron Foo Siang Guan	10	4	4				
Bob Tan Beng Hai ³	10	4	2	8			
Lim Ah Doo ¹	10	3 ²	2				4
Eric Ang Teik Lim	10		4		3	2	
Gina Lee-Wan	10		4				
William Tan Seng Koon ⁴	8		2		2		
Neil McGregor ⁵	8			5			
Koh Chiap Khiong ⁶	10	4	2				1
Tang Kin Fei ⁷	2			1	1	1	1
Wong Weng Sun	10			8			

Notes:

- 1 Mr Lim Ah Doo stepped down as Chairman of the Board Risk Committee on 27 April 2017.
- 2 Mr Lim Ah Doo was absent for one of the Audit Committee meetings as he was overseas.
- 3 Mr Bob Tan Beng Hai was appointed as Chairman of the Board Risk Committee on 27 April 2017.
- 4 Mr William Tan Seng Koon was appointed to the Board on 20 April 2017 and a member of Board Risk Committee and Executive Resource & Compensation Committee on 27 April 2017 and a member of the Executive Committee on 1 December 2017.
- 5 Mr Neil McGregor was appointed a member of the Executive Committee on 27 April 2017.
- 6 Mr Koh Chiap Khiong was appointed a member of the Special Committee on 27 April 2017 and stepped down as a member of the Board Risk Committee on 27 April 2017.
- 7 Mr Tang Kin Fei retired as a Director of the Company on 18 April 2017.

CORPORATE GOVERNANCE

Induction for new Directors

All new Directors appointed to the Board receive a letter of appointment setting out Director's duties, responsibilities and time commitment required of a Director. The Director also receives an information pack containing the Group's organisation structure, senior management's contact details, the Company's constitution document, group policies and a list of recent significant issues discussed at Board meetings.

Governance Disclosure Guide

Guideline 1.6:

Are new Directors given formal training? If not, please explain why.

What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?

A comprehensive orientation programme, including yard visits, is provided to all newly-appointed Directors. They are briefed on the Group's business activities, financial performance, governance policies and practices, enterprise risk management, regulatory regime and their duties as Directors to enable them to assimilate into their new roles. The programme also allows new Directors to get acquainted with senior management, thereby facilitating Board interaction and independent access to senior management.

Continuous development for all Directors

The Board values ongoing professional development and recognises that it is important for Directors to be updated regularly on particular subjects, industry trends and development, relevant laws and regulations and changing business risks. Such updates can be conducted during Board meetings or at specially-convened sessions. During the year, several of the Directors had attended courses:

Mrs Gina Lee-Wan

Creating High Performance Boards, Boards that Transcend Governance and Accelerate Business by Singapore Institute of Directors

Creating a High Purpose-Driven Organisation by Temasek School of Management

Mr William Tan Seng Koon

Cyber Security for Directors by Singapore Institute of Directors

Mr Wong Weng Sun

Investor & Media Relations Essentials by Singapore Institute of Directors

Save for Mrs Lee-Wan, Mr Tan and Mr Wong, each of the Directors has served as a director of a public-listed company and has appropriate experience to act as a director and is familiar with the rules and responsibilities of a director of a public-listed company.



BOARD'S COMPOSITION AND BALANCE

PRINCIPLE 2:

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Code provides that an Independent Director is one who has no relationship with the Group, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment in the best interests of the Group. The Board comprises 11 Directors, 8 of whom (including the Chairman of the Board) are Independent Directors, two Non-Executive and Non-Independent Directors and one Executive Director.

Governance Disclosure Guide

Guideline 2.1: Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.



WHO WE ARE

1

Non-Executive and Independent Chairman

Tan Sri Mohd Hassan Marican

7

Non-Executive and Independent Directors

Mr Ajaib Haridass
Mr Ron Foo Siang Guan
Mr Lim Ah Doo
Mr Bob Tan Beng Hai
Mr Eric Ang Teik Lim
Mrs Gina Lee-Wan
Mr William Tan Seng Koon

2

Non-Executive and Non-Independent Directors

Mr Neil McGregor
Mr Koh Chiap Khiong

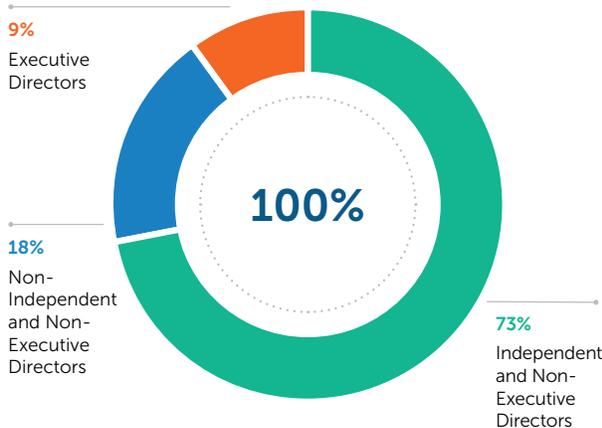
1

Executive Director

Mr Wong Weng Sun



Sembcorp Marine Chairman Tan Sri Mohd Hassan Marican addressing senior management at annual strategy workshop in 2017



The size and composition of the Board are reviewed from time to time by the Nominating Committee (“NC”). The NC seeks to ensure that the size of the Board is conducive for effective discussion and decision making, and that the Board has an appropriate number of Independent Directors with a broad range of experience and deep industry knowledge, taking into account age, gender and other factors. Any potential conflicts of interest are taken into consideration.

The tenure of the Directors demonstrates a good balance between continuity and fresh perspectives. The current size and composition of the Board are appropriate given the size and geographic footprint of the Group’s operations. The proportion of Independent and Non-Executive Directors on the Board (73% or 8 out of 11) is high.

The profile of each Director is set out on pages 44 to 49 of this Annual Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)

PRINCIPLE 3:

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company’s business. No one individual should represent a considerable concentration of power.

The Chairman of the Board is a non-executive appointment and is separate from the office of the President & CEO. The Chairman leads the Board and is responsible for ensuring the effectiveness of the Board and its governance processes, while the President & CEO is responsible for following through the Board’s direction and managing the day-to-day operations. The President & CEO is not related to the Chairman.

The Role of Chairman

The Chairman is responsible for the leadership of the Board and ensures its effectiveness in all aspects of the Board’s role both inside and outside the boardroom. This includes setting the agendas for Board meetings and ensuring sufficient time is allocated for thorough discussion of each agenda item. He promotes an open environment for debate and ensures that the Independent Directors are able to speak freely and contribute effectively. He exercises control over the quality and quantity of information between the Board and Management. In addition, he provides support, close oversight, guidance, advice and leadership, and acts as a sounding board for the President & CEO while respecting his executive responsibility.

At AGMs/Extraordinary General Meetings (“EGMs”), the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and senior management.

Chairman’s Role in Committees



The President & CEO heads the Senior Management Committee (“SMC”) and manages the operations of the Group in accordance with the Group’s policies. He provides close oversight, guidance, advice and leadership to senior management on executing the Board’s decisions. The SMC meets once a month to discuss major operational issues.

CORPORATE GOVERNANCE



BOARD MEMBERSHIP

PRINCIPLE 4:

There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

The Nominating Committee ("NC") comprises the following members, the majority of whom, including the Chairman, are non-executive and independent:

Mr Ajaib Haridass (Chairman)
Tan Sri Mohd Hassan Marican
Mr Eric Ang Teik Lim

The key responsibilities of the NC include:

- Review the composition of the Board and its committees;
- Identify, review and recommend Board appointments for approval by the Board, taking into account the experience, expertise, knowledge and skills of the candidates and the needs of the Board;
- Review and recommend to the Board the re-appointment, re-election and retirement (if necessary) of any Non-Executive Director, having regard to his performance, commitment and ability to contribute to the Board as well as his skill-sets;
- Review the Board's succession plans for Directors, in particular, the Chairman and the CEO;
- Conduct an evaluation of the performance of the Board, its committees and Directors on an annual basis;
- Conduct an annual assessment of whether each Director has sufficient time to discharge his responsibilities, taking into consideration multiple board representations and other principal commitments; and
- Determine independence of proposed and existing Directors, and assess if each proposed and/or existing Director is a fit and proper person and is qualified for the office of Director.

Rotation and re-election of Directors

The NC reviews and recommends to the Board re-appointment and re-election of Directors at the AGM.

The NC also reviews the contributions and performance of each existing Director before making recommendations

to the Board for his re-election or re-appointment at the next AGM. Once the Board has considered and adopted the recommendations, the resolution proposing the re-election or re-appointment of a Director will be tabled at the AGM for shareholders' approval.

One-third of Directors who are longest-serving are required to retire from office every year at the AGM. Based on this rotation process, all Directors (including the President & CEO) are required to submit themselves for re-election at least once every 3 years. Tan Sri Mohd Hassan Marican, Mr Ajaib Haridass and Mr Lim Ah Doo will retire at the forthcoming AGM on 18 April 2018 pursuant to Article 94 of the Company's constitution. Tan Sri Mohd Hassan Marican has offered himself for re-election whereas Mr Ajaib Haridass and Mr Lim Ah Doo will not offer themselves for re-election. They will be retiring as directors at the forthcoming AGM.

All newly appointed Directors are also required to submit themselves for re-appointment at the AGM immediately following their appointments. Thereafter, they are subject to retirement by rotation in accordance with the Company's constitution. Mr William Tan Seng Koon and Mr Neil McGregor will retire at the forthcoming AGM on 18 April 2018 pursuant to Article 100 of the Company's constitution, and have offered themselves for re-election.

Where a Director is required to retire from office, the NC reviews the composition of the Board and decides whether to recommend that Director for re-election, taking into account factors such as the Director's attendance, participation, conflicts of interest, contributions and competing time commitments.

Annual Review of Directors' Independence

The NC reviews annually, and as and when circumstances require, if a Director is independent. The independence of each Director is assessed based on his business relationships with the Group, relationships with members of Management, relationships with the Company's substantial shareholder as well as the Director's length of service.

Governance Disclosure Guide

Guideline 2.3: Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship. What are the reasons for considering him independent? Please provide a detailed explanation.

Tan Sri Mohd Hassan Marican is an Independent Director of Sembcorp Industries Ltd ("SCI"), a controlling shareholder of Sembcorp Marine. He is also a Senior International Advisor of Temasek International Advisors, a subsidiary of Temasek Holdings Ltd ("Temasek"). His appointments at both SCI and Temasek were safeguarded by the Interested Person Transactions ("IPT") mandate. During FY2017, SCI provided consultancy services to Sembcorp Marine. The aggregate value of the transactions (S\$250,000) was not significant compared to the revenues of SCI and Sembcorp Marine. Tan Sri Mohd Hassan Marican was not involved in the decision makings of the transactions between SCI and Sembcorp Marine. The Board considers Tan Sri Mohd Hassan Marican to be an Independent Director of Sembcorp Marine as he has shown that he is able to exercise strong independent judgment in his deliberations and act in the best interests of the Group.

Mr Ajaib Haridass is an Independent Director of SCI. Sembcorp Marine's transactions with SCI were safeguarded by the IPT mandate. During FY2017, SCI provided consultancy services to Sembcorp Marine. The aggregate value of the transactions (S\$250,000) was not significant compared to the revenues of SCI and Sembcorp Marine. Mr Haridass was not involved in the decision makings of the transactions between SCI and Sembcorp Marine. Mr Haridass has served more than 14 years on the Board and his contributions have been valuable to the Group.

Governance Disclosure Guide

Guideline 2.4: Has any Independent Director served on the Board for more than nine years from the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.

The 2012 Code states that the independence of any Director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review.

The Nominating Committee noted that Mr Ajaib Haridass was first appointed to the Board on 31 October 2003; Mr Ron Foo was first appointed to the Board on 30 June 2006; and Mr Lim Ah Doo was appointed to the Board on 7 November 2008. They have served more than 9 years on the Board. Although Mr Haridass, Mr Foo and Mr Lim have served on the Board beyond nine years, they have continued to demonstrate strong independence in character and judgment in the discharge of their responsibilities as Directors of the Company. Accordingly, the Board has, on the recommendation of the Nominating Committee, continued

to consider Mr Haridass, Mr Foo and Mr Lim as Independent Non-Executive Directors of the Company.

Board Diversity

Sembcorp Marine recognises and embraces the benefits of diversity on the Board, and views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

The NC, in reviewing Board composition and succession planning, will consider the benefits of all aspects of diversity, including diversity of skills, experience, background, gender, age, ethnicity and other relevant factors. These differences will be considered in determining the optimum composition of the Board and where possible, balanced appropriately. All Board appointments are made based on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

Governance Disclosure Guide

Guideline 2.6: What is the Board's policy with regard to diversity in identifying Director nominees? Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?

The Board ensures that Directors possess the background, experience and knowledge in business, finance and management skills critical to the Group's business and that each Director should bring to the Board independent and objective perspectives to enable balanced and well considered decisions to be made. The Board is of the view that gender is an important aspect of diversity and will strive to ensure female candidates are included for consideration by the NC whenever it seeks to identify a new Director for appointment on the Board. Current Directors include business leaders, bankers and professionals with financial and legal backgrounds. In relation to gender diversity, approximately 9% of Board members are female i.e. one out of 11 Board members.

Selection Criteria and Nomination Process For Directors

The Board has a process for the selection and appointment of Directors. The NC leads in the process for the appointment of Directors to the Board. The NC recognises the importance of having an appropriate balance of industry knowledge, core competencies, skills, background, experience, professional qualifications, conflicts of interest and diversity in building an effective and cohesive Board.

CORPORATE GOVERNANCE

Governance Disclosure Guide

Guide 4.6: Please describe the Board nomination process for the Company in the last financial year for (i) selecting and appointing new Directors and (ii) re-electing incumbent Directors.

Directors are selected for their experience and competencies and their ability to contribute to the Group. Before a new Director is appointed, suitable candidates are identified from various sources. Thereafter, the NC conducts an assessment to:

- Review the candidate (including qualifications, attributes, capabilities, skills, age, past experience); and
- Ascertain whether the candidate is independent from any substantial shareholders of the Group and/or from Management and business relationships with the Group.

The NC then interviews the shortlisted candidates and makes its recommendations to the Board. The successful candidate is then appointed as a Director of the Company in accordance with the Company's constitution. Upon the appointment of a new Director, the NC will recommend to the Board their appointment to the appropriate Board committee(s) after matching the Director's skill-set to the needs of each Board committee and taking into consideration an equitable distribution of responsibilities among Board members.

The NC reviews the contribution and performance of each existing Director before making recommendations to the Board for his re-election or re-appointment at the next AGM.

Directors' time commitment

The NC conducts a review of the time commitment of each Director once annually.

Governance Disclosure Guide

Guide 4.4: What is the maximum number of listed company board representations that the Company has prescribed for its Directors? What are the reasons for this number? If a maximum number has not been determined, what are the reasons? What are the specific considerations in deciding on the capacity of Directors?

The Board has adopted guidelines for addressing competing time commitments when Directors serve on multiple boards and have other principal commitments. The Company has determined that the maximum number of directorships in listed companies to be held by a Director on the Board be fixed at four (4) to ensure that a Director will have sufficient time and attention for the affairs of the Company. For the year 2017, all Directors have met the guideline set by the Company on the number of directorships in listed companies.

The Board is satisfied that each Director has committed sufficient time to the Company and has contributed meaningfully to the Group.

The Board does not encourage the appointment of Alternate Directors. No Alternate Director is currently being appointed to the Board.

BOARD PERFORMANCE

PRINCIPLE 5:

There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board committees and the contribution by each Director to the effectiveness of the Board.

The NC assesses at least once annually to determine whether the Board and the committees are performing effectively and identifies steps for improvement. The Board believes that active participation and valuable contributions are essential to the overall effectiveness of the Board.

The NC reviews the performance of each individual Director based on factors such as the Director's attendance, preparedness, participation and contribution at Board meetings, and industry and business knowledge. The Chairman will act on the results of the performance evaluation and propose, where appropriate, new members to be appointed to the Board or seek the resignation of Directors.

Board Evaluation Process

The NC uses an evaluation questionnaire to analyse Board's and Committees' performance. The results of the questionnaire are vital for helping the Board, committees and each individual Director improve and perform to their maximum capability.

Governance Disclosure Guide

Guide 5.1: What are the processes upon which the Board reached the conclusion on its performance for the financial year? Has the Board met its performance objectives?

Board Evaluation for 2017

Each Director was asked to complete a set of questionnaire and submit them directly to the Company Secretaries who collated the responses and produced a summary report for the NC. The NC analysed the report and submitted its findings to the Board.

Every Director participated and gave feedback on issues such as the Board's size and composition, quality of information provided to the Board, the Board's processes and accountability, risk and crisis management, effectiveness of committees and Directors' development.

The Board discussed the findings of the evaluation and implemented changes in response to the feedback given by the Directors, if necessary. Based on the overall assessment for 2017, the Board was effective as a whole.



ACCESS TO INFORMATION

PRINCIPLE 6:

In order to fulfil their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

All Directors have access to complete and adequate information and resources. Directors are provided with electronic tablets to enable them to access Board and Board committee papers three (3) days prior to and at meetings.

Governance Disclosure Guide

Guideline 6.1: What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?

Management provides the Board with monthly management reports on the Group's operational and financial performance. In addition, Directors receive analysts' reports on Sembcorp Marine on a quarterly basis.

The Board has separate and independent access to the President & CEO, members of senior management and the Company Secretaries at all times. Management is also present at the meetings to address Directors' queries or to provide further insights into matters concerned.

Role of the Company Secretary

The Company Secretary(ies) attend all Board and most committee meetings and are responsible for ensuring that meeting procedures are followed and applicable rules and regulations complied with. The Company Secretaries assist the Board in implementing and strengthening corporate governance policies and practices.

The appointment and removal of each Company Secretary is subject to the approval of the Board.

In the event that the Directors, either individually or as a group, require independent professional advice in the furtherance of their duties, the Company Secretaries will, upon approval by the Board, appoint a professional advisor to render such services. The cost of such services will be borne by the Company.



PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 7:

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The Executive Resource & Compensation Committee ("ERCC") comprises the following members, who are all Independent Directors:

Tan Sri Mohd Hassan Marican (Chairman)
Mr Ajaib Haridass
Mr Eric Ang Teik Lim
Mr William Tan Seng Koon

The ERCC has direct access to senior management. As a result of their membership in other committees, the members of the ERCC are able to make strategic remuneration decisions in an informed and holistic manner.

The key responsibilities of the ERCC include:

- Overseeing the governance of the Group's remuneration policy (including share plans and other long-term incentive plans);
- Overseeing the remuneration of senior executives, such as reviewing and recommending the remuneration of the President & CEO for Board's approval;
- Overseeing plans to deepen core competencies, bench strength and leadership capabilities of senior management;
- Recommending the grant of incentives and annual variable bonus pool to the Board for approval; and
- Reviewing the remuneration of Non-Executive Directors and recommending to the Board to table at the AGM for shareholders' approval.

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On an annual basis, a comprehensive talent management programme and succession plans are presented to the ERCC for review. The ERCC reviews the succession plans for key and critical positions to align the business goals and the Group's human capital needs. This enables the Company to identify the talent pool and allow focus and devotion of time and resources to leverage the full value and potential of identified successors.

The Company has engaged Mercer (Singapore) Pte Ltd ("Mercer") to advise the ERCC on remuneration of Directors and key executives. Mercer is an independent external consultancy firm. There is no relationship between the Group and Mercer that affects the independence and objectivity of Mercer.

The President & CEO is not present during the discussions relating to his own remuneration, terms and conditions of service, and the review of his performance.

No ERCC member or Director is involved in deliberations on their own remuneration, compensation or any form of benefits. Hence, the Board believes in the ability of the ERCC to exercise considered judgment in its deliberations and act in the best interests of the Company.

The ERCC reviews the terms of the contracts of key management personnel to ensure that the terms are fair and reasonable, and termination clauses are not overly generous.



LEVEL AND MIX OF REMUNERATION

PRINCIPLE 8:

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Group believes that its remuneration and reward system is aligned with the long term interest and risk policies of the Group and that a competitive remuneration and reward system based on individual performance is important to attract, retain and incentivise the best talent.

Remuneration of Non-Executive Directors

The ERCC reviews and recommends a framework to the Board for determining the remuneration of Non-Executive Directors, including the Chairman.

To underscore their support of the Company through these challenging time, the Non-Executive Directors had taken a voluntary reduction of their total fees of 10% for the financial year 2017.

The framework below adopted by the Company is based on a scale of fees divided into basic retainer fees, attendance fees and allowances for travel and service on Board committees:

There is no change to the annual fee structure for the Board for 2017 from the fee structure in 2016.

Directors' Fee Framework		\$
(i)	Board of Directors	
	- Basic	75,000
	- All-in Chairman's fees	600,000
(ii)	Audit Committee Executive Committee Special Committee	
	- Chairman's allowance	50,000
	- Member's allowance	30,000
(iii)	Board Risk Committee	
	- Chairman's allowance	40,000
	- Member's allowance	25,000
(iv)	Executive Resource & Compensation Committee	
	- Chairman's allowance	35,000
	- Member's allowance	20,000
(v)	Nominating Committee	
	- Chairman's allowance	25,000
	- Member's allowance	15,000
(vi)	Attendance	
	- Board meeting	5,000
	- Committee meeting	2,500
	- Teleconference Board meeting	2,000
- Teleconference Committee meeting	1,000	
(vii)	Travel Allowance for overseas Directors	
	- < 4 hours (to & fro air travel time)	2,500
	- 4 to 15 hours (to & fro air travel time)	5,000
	- > 15 hours (to & fro air travel time)	10,000

Notes:

- Cash fees for SCI nominee Directors are payable to SCI, but share awards are received by the nominee Directors in their personal capacity.
- Fees for Mr Eric Ang Teik Lim are payable in cash to his employer, DBS.
- Attendance fees for committee meetings also apply to attendance at general meetings.
- Chairman of the Board does not receive basic retainer fee for Directors, any further fees or allowances for his services as Chairman or Member of any Board committees.

The Directors' fees payable to Non-Executive Directors comprise a cash component and a share component. The ERCC has determined that up to 30% of the aggregate Directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2010. The payment of Directors' fees (both the cash and share components) is contingent upon shareholders' approval. Directors and their associates will abstain from voting on any resolution(s) relating to their remuneration.

Share awards granted under the Sembcorp Marine Restricted Share Plan 2010 to Directors as part of Directors' fees will typically consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-Executive Directors are required to hold shares in the Company (including shares obtained by other means) worth at least the value of their basic retainer fee (currently S\$75,000); any excess may be disposed of as desired. A Non-Executive Director may only dispose of all of his shares one year after leaving the Board.

The actual number of shares to be awarded to each Non-Executive Director will be determined by reference to the volume weighted average price of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the AGM (or, if no final dividend is proposed at the AGM or if the resolution to approve such final dividend is not approved at the AGM, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash. The share component of the Directors' fees for FY2017 is intended to be paid after the 2018 AGM has been held.

The shareholders of the Company had approved the payment of Directors' fees of up to S\$2,500,000 for FY2017 at the last AGM held on 18 April 2017. The Company will be seeking shareholders' approval at the forthcoming 2018 AGM for payment of Directors' fees of S\$2,500,000. Subject to shareholders' approval, the cash component of the Directors' fees for year 2018 is intended to be paid half-yearly in arrears. The share component of the Directors' fees for year 2018 is intended to be paid after the 2019 AGM has been held.

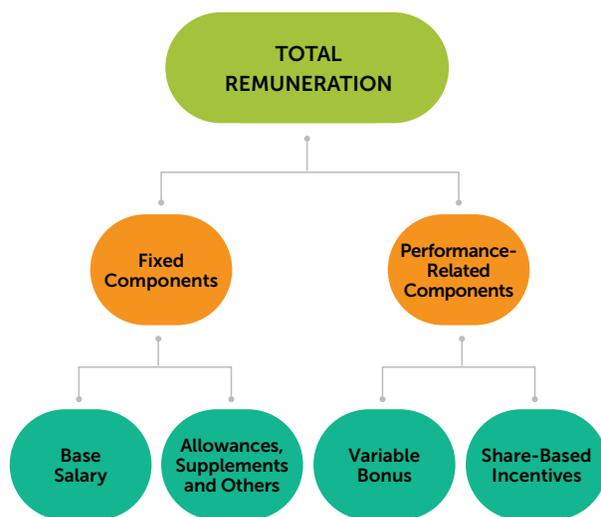
Remuneration for Key Management Personnel

The Company's remuneration and reward system for key management personnel is designed to ensure a competitive level of compensation to attract, retain and motivate employees to deliver high-level performance in accordance with the Company's established risk policies.

The remuneration of the key management personnel comprises three primary components:

- **Fixed Remuneration**

Fixed remuneration includes annual basic salary, and where applicable, fixed allowances, annual wage supplement and other emoluments. Base salaries of key management personnel are determined based on the scope, criticality and complexity of each role, equity against peers with similar responsibilities, experience and competencies and individual performance relative to market competitiveness of roles with similar responsibilities.



- **Annual Variable Bonuses**

The annual variable bonus is intended to recognise the performance and contributions of the individual, while driving the achievement of key business results for the Company. The annual variable bonus includes two components. The first is linked to the achievement of pre-agreed financial and non-financial performance targets, while the second is linked to the creation of economic value added ("EVA").

The EVA-linked bonus component is held in a "bonus bank". Typically, one-third of the balance in the bonus bank is paid out in cash each year, while the balance two-thirds are carried forward to the following year. Such carried forward balances of the bonus bank may either be reduced or increased in future, based on the yearly EVA performance of the Group and its subsidiaries. There are provisions in the EVA incentive plan to allow for forfeiture of the outstanding balances in the bonus bank in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the Company.

CORPORATE GOVERNANCE

- **Share-based Incentives**

The Company's performance share plan and restricted share plan were approved and adopted by the shareholders at an EGM held on 20 April 2010. Through the share-based incentives, the Company motivates key management personnel to continue striving for the Group's long-term shareholder value. In addition, the share-based incentive plans aim to align the interests of participants with the interests of shareholders, so as to improve performance and achieve sustainable growth for the Company.

The President & CEO, as an Executive Director, does not receive Director's fees and is remunerated as part of senior management. As a lead member of senior management, his compensation consists of his salary, allowances, bonuses and share-based incentives conditional upon meeting certain performance targets. Details on the share-based incentive plans are available on pages 162 to 169 of this Annual Report.



DISCLOSURE OF REMUNERATION

PRINCIPLE 9:

Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedures for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.

Governance Disclosure Guide

Guideline 9.2: Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?

Information regarding remuneration of each Director (including the President & CEO) is set out on pages 288 to 289 of this Annual Report.

Governance Disclosure Guide

Guideline 9.3: Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits-in-kind, stock options granted, share-based incentives? If not, what are the reasons for not disclosing so? Please disclose the aggregate remuneration paid to the top five management personnel (who are not Directors or the CEO).

Key management personnel include the Chief Operating Officer; Director, Group Finance; Chief Financial Officer; Head of Singapore Yard Operations; and Head of Rigs & Floaters. The aggregate remuneration, comprising total cash and benefits, paid to the top five key executives is set out on pages 288 to 289 of this Annual Report for FY2017.

Governance Disclosure Guide

Guideline 9.4: Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.

There were no employees who were immediate family members of a Director or the President & CEO, and whose remuneration exceeded S\$50,000, during FY2017.

The remuneration of the key management personnel comprises two primary components: fixed components and performance-related components.

Governance Disclosure Guide

Guideline 9.6: Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria. What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? Were all of these performance conditions met? If not, what were the reasons?

Pay for Performance

A pay for performance study was conducted again in 2017 to review the alignment between the Company's executive pay scheme and both the shareholder returns and business results. The Company's size and performance relative to its peer companies are positioned competitively vis-à-vis its senior executive pay relative to peer companies, indicating strong pay for performance alignment. Against the large-cap Singapore peer companies used for compensation benchmarking, fixed pay levels of the Company's senior executives are relatively conservative when assessed against the company size.

The executive incentive compensation for the year has a strong pay relationship (i.e. Total Cash) with its performance measured in both EBIT and EVA. On a longer-term perspective, the total compensation (which includes share awards to the CEO and senior executives) is also strongly correlated with the Company's Total Shareholders' Return (TSR) as well as with the Company's 3-year EBIT and return on capital employed (ROCE) performance. Overall, there is a strong alignment between the Company's executive pay programme and its business results and shareholder returns given its financial results.



ACCOUNTABILITY

PRINCIPLE 10:

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. Hence, Management provides the Board with daily news clippings and monthly management accounts. The monthly management report compares the Group's actual performance against the budget and highlights significant events and developments, enabling the Board to make a balanced and informed assessment of the Company's performance, position and prospects.



RISK MANAGEMENT AND INTERNAL CONTROLS

PRINCIPLE 11:

The Board is responsible for the governance of risk. The Board should ensure that Management maintain a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Company has in place a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets. Oversight responsibility of risk management and internal controls is delegated by the Board to the Board Risk Committee ("BRC") and Audit Committee ("AC"). Both committees work closely to ensure that the system of risk management and internal controls maintained by Management is adequate and effective.

The BRC comprises the following members, all of whom (including the Chairman) are both Independent Directors and Non-Executive Directors:

Mr Bob Tan (Chairman)
Mr Ron Foo Siang Guan
Mr Eric Ang Teik Lim
Mrs Gina Lee-Wan
Mr William Tan Seng Koon

The terms of reference of the BRC provide that the BRC shall comprise at least three members, the majority of whom, including the Chairman, shall be independent. Members of the BRC are appointed by the Board, on the recommendation of the NC. There is at least one common member between the BRC and the AC.

The key responsibilities of the BRC include:

- Assess the adequacy and effectiveness of the Group's risk management framework (including policies, procedures and processes);
- Review the Group's risk appetite and recommend to the Board the risk appetite tolerance limits or changes thereof;
- Oversee Management in the design, implementation and monitoring of the Group's risk management framework;
- Review and approve the Group's risk policies, plans, guidelines and limits; and
- Review the infrastructure and resources that support risk management such as human resources, IT systems, reporting structure and procedures.

To ensure that the system of risk management and internal controls is adequate and effective, Sembcorp Marine has implemented the Enterprise Risk Management ("ERM") programme since 2004. The ERM programme helps the Group identify, assess and manage key risks in the challenging business environment it operates in. For more information on the Group's ERM programme, please refer to page 98 of this Annual Report.

Governance Disclosure Guide

Guideline 11.3: In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.

In respect of the past 12 months, has the Board received assurance from the CEO and CFO as well as the internal auditor that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?

Since 2012, Sembcorp Marine has put in place a risk governance assurance framework to assist the Board in forming an opinion on the adequacy and effectiveness of the system of risk management and internal controls. The risk governance assurance framework was developed with guidance from external consultants, and has been implemented for both Singapore and overseas shipyards.

CORPORATE GOVERNANCE

During the year under review, the Board received assurance from the President & CEO and the CFO that the financial records had been properly maintained and the financial statements gave a true and fair view of the Group's operations and finances, and that the Group's system of risk management and internal controls was adequate and effective.

The Board, with the concurrence of AC and BRC, is satisfied that the financial, operational, compliance and information technology controls and risk management system were adequate and effective as at 31 December 2017 to meet the needs of the Group in the current business environment.

This opinion is based on Management's review and effort to continually strengthen the Group's risk mitigating measures and internal controls, reports by the Internal Audit and Group Risk Management departments and statutory audits conducted by the external auditors as well as documentation of risk governance assurance framework.

Internal controls, because of their inherent limitations, can provide only reasonable but not absolute assurance regarding the achievement of their intended control objectives. In this regard, the Board is satisfied that if significant internal control failures or weaknesses were to arise, necessary actions would be swiftly taken to remedy them.



PRINCIPLE 12:

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises the following members, 3 of whom (including the Chairman) are Independent Directors and all of whom are Non-Executive Directors:

Mr Ron Foo Siang Guan (Chairman)
Mr Lim Ah Doo
Mr Bob Tan Beng Hai
Mr Koh Chiap Khiong

The terms of reference of the AC provide that the AC shall comprise at least three members, all non-executive, the majority of whom, including the Chairman, must be independent. At least two members, including the Chairman, should have recent and relevant accounting or related financial

management expertise or experience. Members of the BRC are appointed by the Board, on the recommendation of the NC. There is at least one common member between the BRC and the AC.

The Board is of the view that the members of the AC have the necessary financial management expertise and experience to discharge their responsibilities. Management, external auditors and internal auditors update the AC as and when there are changes to the accounting standards and issues which have a direct impact on financial statements.

The AC is empowered and functions in accordance with the provisions of Section 201B of the Companies Act, the Listing Manual of SGX-ST ("Listing Manual") and the Code. The AC has the authority to investigate any activity within its terms of reference. It has full access to and co-operation of Management, and full discretion to invite any Director or executive officer to attend its meetings.

The key responsibilities of the AC include:

Financial Reporting

- Review significant financial reporting issues and judgments so as to ensure the integrity of the Group's consolidated financial statements;
- Review the Group's consolidated financial statements and any announcements relating to the Company's financial performance;
- Assess, and challenge, where necessary, the accuracy, completeness and consistency of financial reports (including interim reports), before they are submitted to the Board for approval; and
- Review the assurance certificate provided by the CEO and CFO that the financial records have been properly maintained, and that the financial statements give a true and fair view of the Company's operations and finance.

Internal Controls

- Review with the external auditors and internal auditors the adequacy of the internal control systems of the Group in relation to significant internal control issues which are likely to have a material impact on the Group's operating results and/or financial position;
- Review the representation and opinion of Management on internal controls, and the results of work performed by the internal and external auditors;
- Review and make amendments when necessary, to the Whistle-Blowing Policy and Procedure adopted by the Company to address possible improprieties in financial reporting or other matters; and

- Commission and review the findings of investigations into matters where there is any failure of internal controls which has or is likely to have a material impact on the Group's operating results and/or financial position, and also into matters where there is any suspected fraud or irregularity, or infringement of any law, rule and regulation.

Internal Audit

- Review and approve the Internal Audit Charter and related policies;
- Review and approve the audit plans and annual budget of the internal auditors;
- Review and approve the Head of Internal Audit's appointment, performance and remuneration;
- Review the adequacy of staffing and qualification levels of the internal audit function;
- Review IPTs with the internal auditors;
- Meet with the internal auditors at least once a year in the absence of Management to review the assistance given by the Group's officers to the internal audit function, to determine that no restrictions are placed on them by Management; and
- Review, at least annually, the adequacy and effectiveness of the internal audit function.

External Audit

- Review the audit plans of the external auditors;
- Review with the external auditors their statutory audit report on the annual account of the Group and other reports relating to internal controls and Management's response and actions to address any noted weaknesses;
- Review and assess annually that the external auditor's independence or objectivity is not impaired;
- Review and approve (prior to engagement) the non-audit services provided by the external auditors, and provide a confirmation in Sembcorp Marine's annual report that it had undertaken a review of these non-audit services and that such services, if any, would not affect the independence of the external auditors;
- Recommend the appointment or re-appointment of the external auditors and their audit fees to the Board; and
- Meet with the external auditors at least once a year in the absence of Management to review the assistance given by the Group's officers to the external auditors, to determine that no restrictions are placed on them by Management.

IPTs

- Review and approve, if so required, IPTs in accordance with the requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX").

In the year under review, the AC had met four (4) times with the external auditors and four (4) times with the internal auditors without the presence of Management.

Governance Disclosure Guide

Guideline 12.6: Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's review on the independence of the external auditors.

The AC had reviewed all the non-audit services provided to the Group by KPMG LLP, the Company's external auditors. The amount of non-audit fees compared to the total annual audit fees is 12%. The AC is satisfied that the independence of the external auditors has not been impaired by the provision of these services. A breakdown of the fees for audit and non-audit services paid to KPMG LLP for FY2017 is found on page 227.

During the year under review, the AC had carried out its duties in accordance with its terms of reference and the AC Chairman reported to the Board on all significant financial matters relating to the Group at every quarterly Board meeting.

In appointing auditors for the Company and its subsidiaries and significant associated companies, the Company has complied with Rules 712 and 715 of the Listing Manual.

No former partner or director of the Company's existing auditing firm or auditing corporation was appointed as a member of the Company's AC in FY2017.

Audit Committee Commentary on Key Financial Reporting Matters in Annual Report

The AC had discussed the key audit matters for FY2017 with Management and the external auditors. The AC concurred with the basis and conclusions included in the Independent Auditor's Report with respect to the key audit matters.

For more information on the key audit matters, please refer to pages 171 to 174 of this Annual Report.

CORPORATE GOVERNANCE



INTERNAL AUDIT

PRINCIPLE 13:

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

Governance Disclosure Guide

Guideline 13.1: Does the Company have an internal audit function? If not, please explain why.

Sembcorp Marine's Internal Audit Department ("IAD") comprises a team of 8 staff members, including the Head of Internal Audit ("HIA"). HIA reports functionally to the AC and administratively to the President & CEO. IAD consists of suitably qualified professionals with the relevant experience and requisite skill sets. Training and development opportunities are provided to these staff on an ongoing basis.

In line with leading practices, IAD adopts the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors ("IIA") and staff members are expected to observe, apply and uphold the Institute of Internal Auditors Code of Ethics at all times. IAD has successfully completed an external Quality Assurance Review in 2017 and continues to meet or exceed the IAA Standards in all key aspects.

The key responsibilities of IAD include:

- Perform risk-based assurance reviews across the Group and provide opinion on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems except assurance and compliance reviews relating to Health, Safety and Environment which are mandatory and for which specialist licensed firms are engaged by the respective commercial entities;
- Assist in the deterrence of fraud through its internal audit activities by examining and evaluating the adequacy and effectiveness of the system of internal controls;
- Review IPTs and advise the AC whether the transactions are at arm's length;
- Advise the AC on non-audit services ("NAS") provided by the external auditors;
- To the extent that there is no conflict with the mission and independence of IAD, IAD will, within its expertise and upon request, perform consulting work to add value and improve the Company's adequacy and effectiveness in risk management, control and governance;
- Facilitate the sharing of matters in order to better control practices and governance across the Group to promote awareness;
- IAD shall, upon the instruction of the AC, conduct investigations into and report on incidents and allegations of possible improprieties in matters of financial reporting or other matters in accordance with the Whistle-Blowing Policy and Procedure; and
- Where possible, IAD will extend its scope of work to include the associated companies and joint venture companies of the Group.

IAD adopts a risk-based approach in formulating the annual audit plan. This plan is reviewed and approved by the AC at the beginning of each year and the AC reviews the internal audit reports quarterly. The reviews performed by IAD are aimed at assisting the Board in promoting sound risk management, robust internal controls and good corporate governance, through assessing the design and operating effectiveness of controls that govern key business processes and risks identified in the overall risk framework of the Group. The assessment also covers risks arising from new lines of business or new products, and compliance with policies and procedures. Audit projects are planned based on the results of the assessment, with priority given to auditing higher risk areas.

Whistle-Blowing Policy

The Group has put in place a Whistle-Blowing Policy and Procedure, for which the AC has an oversight. Through this avenue, employees of the Group or any other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matters such as suspected fraud, corruption, unethical practices or matters which may cause financial loss to the Group or damage the Group's reputation. The policy establishes various confidential channels of communication for reporting concerns about possible improprieties to the AC Chairman, HIA or Chief Risk Officer ("CRO"). This is to ensure independent and objective investigation and appropriate follow-up actions are taken. The Company treats all information received as confidential and protects the identity of all whistleblowers. Anonymous reporting is accepted. Employees who acted in good faith will be treated fairly and protected from reprisals. Reports can be made by



- Email to whistleblow@sembmarine.com;
- Phone call to HIA (DID: +65 6262-7818) or CRO (DID: +65 6262-7391); or
- Mail to Sembcorp Marine Limited at 29 Tanjong Kling Road, Singapore 628054 and addressed to AC Chairman, HIA or CRO.

Sembcorp Marine believes that effective safeguards against undesirable business conduct have to go beyond a “tick-the-box” mentality. It is the objective of the Group to instil and enhance strong corporate governance practices across its group of companies. On an ongoing basis, the whistle-blowing policy is covered in the staff orientation programme.

The Company advocates the following safeguards to maintain a strong risk and governance culture:

- From the top: The tone set by the Board and senior management is vital; it is akin to the moral compass of the organisation. The Company has in place a suite of comprehensive policies and Management Committees are formed to monitor compliance with these policies. The Company also conducts self-assessment on its key processes;
- Aligning employees’ performance and incentives via key performance indicators or balanced scorecard;
- Respecting the voice of control functions: The Company believes that respect for the voice of control functions such as the risk management department is one of the key safeguards;
- Risk ownership: please refer to page 100 of this Annual Report on Risk Management Report; and
- Requirement of Sembcorp Marine employees to abide by the Company’s Code of Business Conduct, Conflicts of Interest Policy, Code of Ethics, Anti-Bribery Compliance Policy, Fraud Risk Management Policy, etc.



SHAREHOLDER RIGHTS

PRINCIPLE 14:

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders’ rights, and continually review and update such governance arrangements.

Sembcorp Marine is committed to the release of timely, adequate and relevant information to shareholders. The Company believes this practice is central to good corporate governance and enables shareholders to make informed decisions in respect of their investments in Sembcorp Marine Ltd.

The Company invites and encourages all registered shareholders to participate in the Company’s general meetings. Each shareholder will receive a notice of meeting which is also advertised in the newspapers and released via SGXNet. Pursuant to the introduction of the new

multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold Sembcorp Marine shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at the AGM or EGM.



COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE 15:

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company is committed to disclosing accurate and timely information that is material, or that may influence the price of Sembcorp Marine’s shares, on the SGXNET and on the corporate website to shareholders, analysts and other stakeholders. It does not practise selective disclosure of price-sensitive information.

General meetings are the principal forum for dialogue with shareholders. There is a question and answer session during which shareholders may raise questions or share their views regarding the proposed resolutions and the Company’s business and affairs.

The quarterly and full-year results announcements provide financial and other performance information of the Company as a whole as well as by business segments. This allows shareholders to gain better insight into the earnings drivers within Sembcorp Marine.

Governance Disclosure Guide

Guideline 15.4: Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?

The earnings results are first released via SGXNet and posted on the SGX-ST website. Management then holds a face-to-face briefing to address media and analyst queries for the full-year and half-yearly financial results. For the first and third quarter results, Management holds a teleconference meeting with the analysts. Materials used at the briefing are made available on SGXNet and on the Company’s website at www.sembmarine.com. In addition, investor relations and corporate communications personnel are available by email or telephone to answer questions from shareholders, media and analysts at any time as long as the information requested

CORPORATE GOVERNANCE

does not conflict with the SGX-ST's rules of fair disclosure. Apart from regular meetings, email communications and teleconferences with investors and analysts, the CFO and the Head of Investor Relations also travel regularly to overseas road shows and conferences, reaching out to foreign institutional investors.

The Company aims to balance returns to shareholders with the need for long-term sustainable growth. It strives to provide shareholders annually with a consistent and sustainable dividend based on cash position, working capital, capital expenditure plans, acquisition opportunities and market environment.

Governance Disclosure Guide

Guideline 15.5: If the Company is not paying any dividends for the financial year, please explain why.

The Board has recommended a final dividend of 1 Singapore cent (\$0.01) per share, bringing the total ordinary dividend for FY2017 to 2 Singapore cents (\$0.02), if the proposed dividend is approved by shareholders at the forthcoming AGM.

For further details on Sembcorp Marine's communication with its shareholders, please see the "Investor Relations" section of this Annual Report.



CONDUCT OF SHAREHOLDER MEETINGS

PRINCIPLE 16:

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Sembcorp Marine delivers the Notice of AGM and related information ahead of the meeting in compliance with the relevant rules in the listing manual and Companies Act, providing sufficient time for shareholders to review the Notice of AGM and appoint proxies to attend the AGM if they wish. The Notice of AGM is also advertised in the Business Times for the benefit of shareholders. Sembcorp Marine holds its general meetings at a central location in Singapore with convenient access to public transportation.

All registered shareholders are invited to participate at shareholders' meetings. Under the new multiple proxy

regime, "relevant intermediaries" such as banks and nominee companies which provide custodial services for securities and the Central Provident Fund Board, are allowed to appoint more than two proxies to attend, speak and vote at shareholders' meetings. This will enable indirect investors, including CPF investors, to be appointed as proxies to participate at shareholders' meetings.

Voting in absentia by mail, facsimile or email is currently not permitted as such voting methods would need to be cautiously evaluated for feasibility to ensure that there is no compromise to the integrity of the information and the authenticity of the shareholders' identities.

The Company ensures that separate resolutions are proposed for substantially separate issues at general meetings.

All members of the Board as well as the CFO, Company Secretaries and senior management are required to attend all shareholders' meetings. The external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

The Company ensures that minutes of each meeting include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. All minutes of shareholders' meetings are available to registered shareholders on request.

Since 2012, the Company has conducted electronic poll voting at shareholders' meetings for greater transparency in the voting process. The total number of votes cast for or against each resolution is tallied and displayed live on-screen to shareholders immediately after the vote has been cast and is also announced after the meetings via SGXNet.

Dealings in Securities

The Company has put in place a policy on dealings in securities, which prohibits dealings in the Company's securities by its Directors, members of senior management committee, persons who are in attendance at board committees and senior management committee meetings and senior employees during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of the Company's financial year, and one month before the announcement of the Company's full-year financial statements, and ending on the date of the announcement of the relevant results.

The policy also provides that any of the officers who are privy to any material unpublished price-sensitive information should not trade in Sembcorp Marine securities until the information is appropriately disseminated to the market, regardless of whether or not it is during the “closed” periods for trading in Sembcorp Marine securities.

The policy also discourages trading on short-term considerations. Corporate Secretariat sends quarterly reminders of the requirements under the policy to the officers in advance of each blackout period and reminds officers of their obligations under the insider trading laws.

IPTs

The Company has embedded procedures to comply with all regulations governing IPTs. The IAD regularly reviews the IPTs entered into by the Group to verify the accuracy and completeness of the IPT disclosure and to determine whether the IPT reporting requirements under the SGX listing rules have been adhered to. The report is submitted to the AC for review.

Shareholders had approved the renewal of a general mandate for IPTs at the AGM on 18 April 2017. The mandate sets out the levels and procedures for obtaining approval for each type of IPTs covered under the mandate. Information regarding the mandate can be found on the Company’s website at www.sembmarine.com.

All commercial entities are required to be familiar with the IPT mandate and report any such transactions to their respective finance departments. The Group Finance department consolidates the IPTs and keeps a register of the Company’s IPTs.

Detailed information on IPTs for FY2017 is found on page 289 of this Annual Report.

Material Contracts

Since the end of the previous financial year, no material contracts involving the interest of any Director or controlling shareholder of Sembcorp Marine have been entered into by the Company or any of its subsidiary companies, and no such contract subsisted as at 31 December 2017, save as disclosed via SGXNET.

Code of Business Conduct and Practice

Sembcorp Marine has a Guidebook for the Code of Business Conduct that applies to all employees. The Guidebook sets

out Sembcorp Marine’s core values, how to conduct business with integrity, handling employees and community with fairness, protecting the Group’s assets, dealing with conflicts of interest and protection of information. The Guidebook guides employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity when dealing with Sembcorp Marine, its competitors, customers, suppliers and communities. The Guidebook covers bribery and corruption, gifts and entertainment, fairness and opportunity, harassment, conflicts of interest, protection of assets, proprietary information, data protection, etc. The Guidebook is available on the corporate website.

Sembcorp Marine has also established a crisis management policy on dealing with crisis. The policy sets out the process in which the Board of Directors and senior management are kept informed of corporate crises in a timely manner, according to their severity. Such crises may include events that have or are expected to have a significant impact – financial, reputational or otherwise – on the Group’s business and operations.

RISK MANAGEMENT

CREATING BUSINESS VALUE WHILE MANAGING RISKS

Risk management is an integral part of Sembcorp Marine’s business, both at the strategic and operational levels. Low business volumes, stiff competition from established yards, threat of cyber disruption, violation of corruption laws and illiquidity are some of the major risks that continue to threaten the industry.

To safely navigate these risks, Sembcorp Marine adopts a balanced approach to risk management and cultivates a culture that embraces risk management, so as to create business value. Understanding the external risk environment allows pre-emptive actions to be taken, leading to a more successful execution and performance of strategy.



RISK OVERSIGHT AND GOVERNANCE STRUCTURE

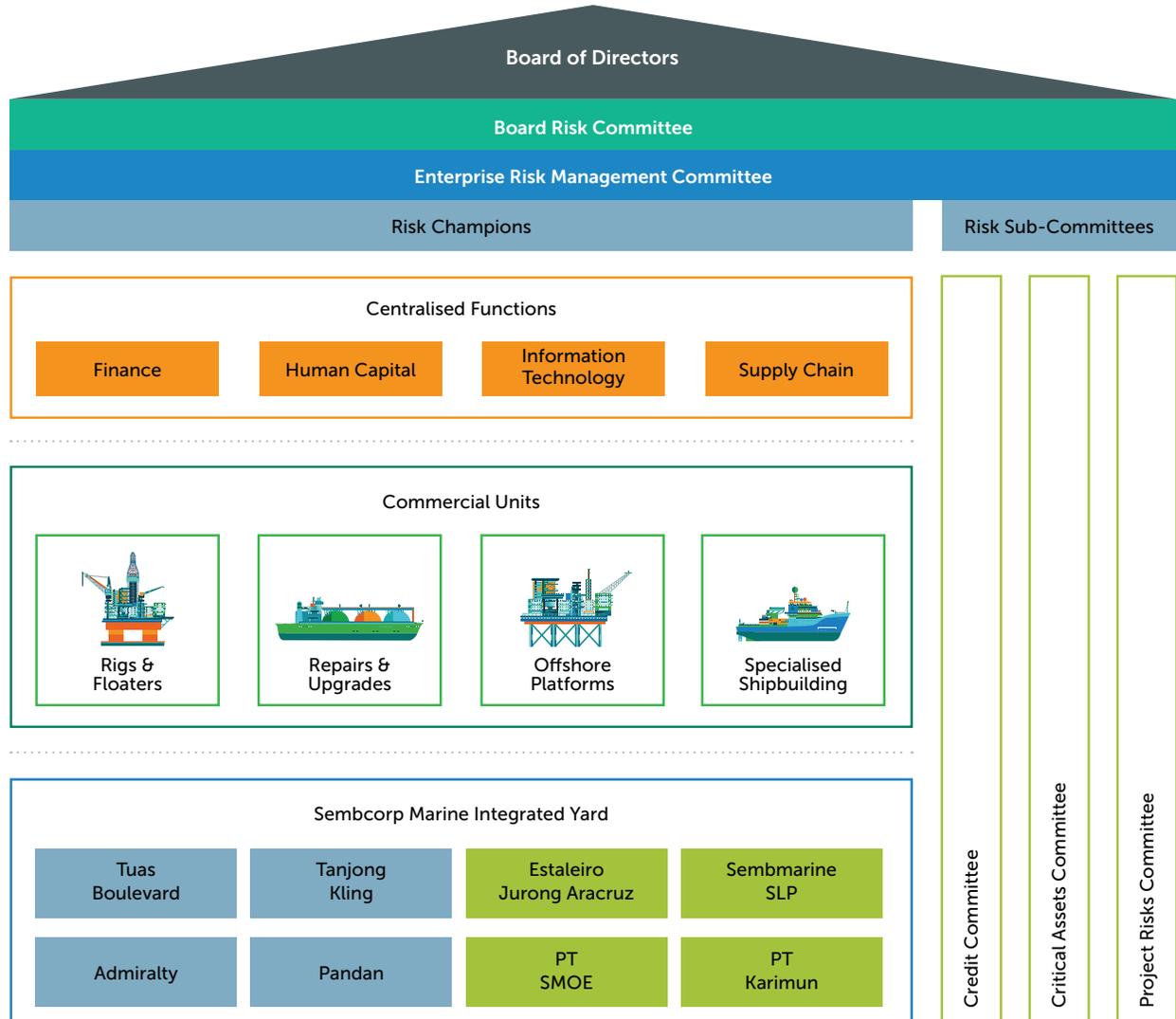
Sembcorp Marine’s Risk Oversight and Governance Structure comprises the Board, Board Risk Committee (BRC), Enterprise Risk Management Committee (ERMC), Risk Champions, Risk Sub-Committees and the Risk Management Office under the Chief Risk Officer (CRO).

The Board is responsible for risk oversight and setting an appropriate tone from the top, which is cascaded across the Group through policies and procedures. The BRC supports and assists the Board in overseeing that management has put in place adequate and effective risk management systems, framework, policies, procedures and processes; reviewing and endorsing the Group’s risk appetite and risk tolerance limits for approval by the Board; reviewing risk reports from management which include the Group’s risk profile, major risk exposures and material risk issues; as well as management’s response and actions taken to monitor and control such exposures or issues.

The responsibility for risk management and effective internal controls lies with the ERMC. Chaired by the President & CEO, the ERMC drives key risk initiatives and reviews risk issues across the Group.

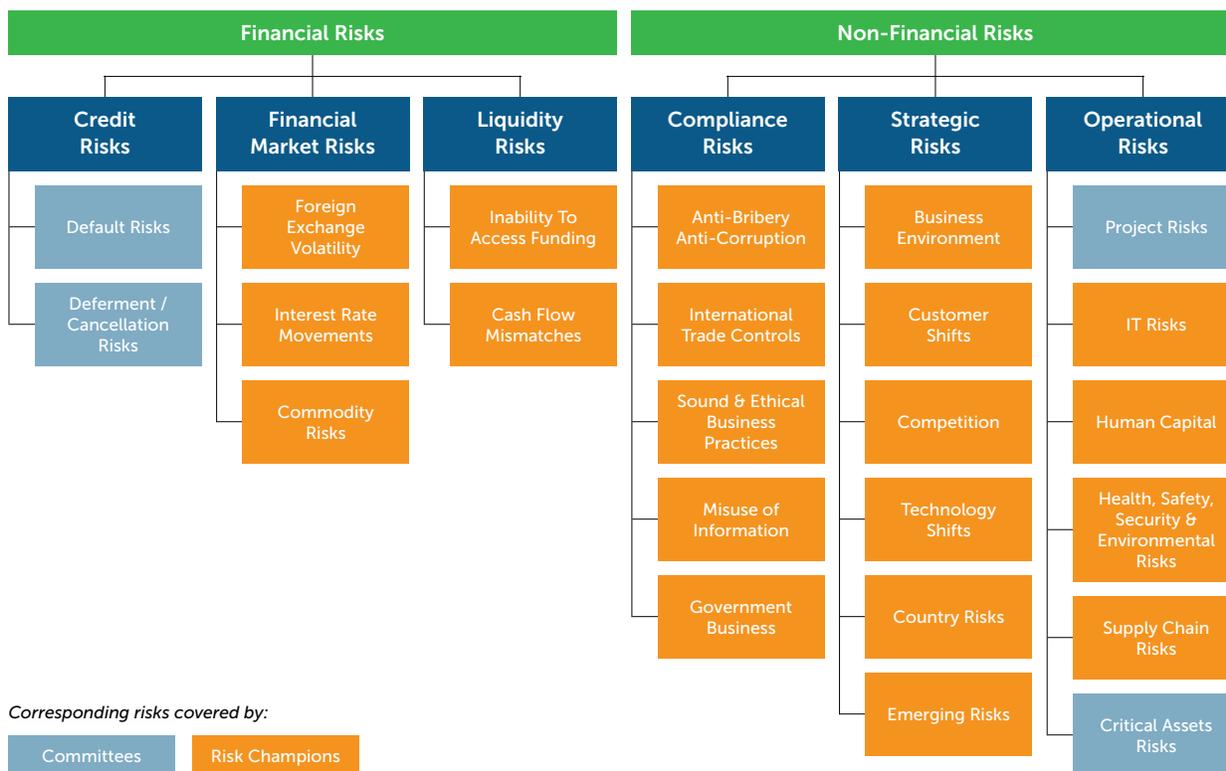
Supporting the ERMC are the Risk Champions and the Risk Sub-Committees for Credit, Critical Assets and Project Risks. These sub-committees are chaired by senior management staff appointed by the President & CEO. Collectively, the Risk Champions and the Risk Sub-Committees oversee the various risk categories with clear assignment of responsibilities.

Risk Oversight and Governance Structure



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Clear Definition of Risks and Assignment of Risk Ownership



The Group’s Risk Governance and Assurance Framework (RGAF) is an integral part of the overall risk assessment and assurance reporting system. The RGAF takes a risk-based approach to identifying key risk areas, corresponding processes and controls, for which assessment is done to ensure adequate and effective controls are designed to mitigate the risks.

Control Self-Assessments (CSAs) are conducted on the respective controls by control owners on a quarterly basis, which reinforces the integrity of the RGAF. Through this programme, weaknesses (if any) in the control environment may be detected and reported to management in a structured and formalised process, and corrective actions taken to strengthen the process and prevent future occurrences and lapses.

In addition to providing assurance that the risk system and key controls are adequate and effective, the RGAF instils ownership among the process and control owners, promoting a sense of accountability.

KEY RISKS AND CONTROLS

The Group categorises the risk environment into six pillars, reflecting the risk profile most relevant to its business and operating environment. The risk profile is updated regularly by reviewing the Sembcorp Marine Risk Map, which defines specific sub-risk areas under each of the six pillars, including material topics covered under “Fraud / Bribery and Corruption”, “Community Investment and Philanthropy”, “Ecology”, “Health, Safety and Environment”, etc. Key risks are identified and assessed for inherent impact and likelihood, factoring in external influences as well as internal control measures to ascertain the resultant risk level.

Credit Risks

The Group monitors the credit quality of its customers regularly through credit assessments. Customers are tiered based on their credit grades and tracked accordingly. Where credits are weak, the Group requests for security and other credit enhancements. It monitors exposure to avoid concentration in weaker credit tiers as far as possible.

Limits are stipulated for contracts with backend-loaded payment terms. The Group prefers the customer to make progressive payments instead of giving the customer backend-loaded payment terms. It aims to run down contracts with backend-loaded payment terms.

Customers' accounts are monitored regularly for compliance with credit policies and for prompt collections. A credit ratings map (showing customers' credit ratings and corresponding exposures) is used for proactively tracking changes in customers' ratings, with additional focus given to contract termination and failure to take delivery after technical acceptance.

Financial Market Risks

Sembcorp Marine has operations globally and is exposed to a variety of financial market risks, including currency movement risks, interest rate risks and raw material price risks. Currency and interest rate volatilities are monitored by the Treasury department and hedged against adverse fluctuations based on pre-set limits. Exposures are naturally hedged at the transactional levels before the residual exposures are measured and hedged using non-derivative instruments with established financial institutions.

Raw material price risks are managed by sourcing globally for quality supply at competitive rates, locking in prices at favourable levels and negotiating favourable prices with bulk purchases. These risks are monitored and managed by the Sembcorp Marine Procurement Outsourcing Risk Committee.

Liquidity Risks

Sembcorp Marine strives to monetise completed projects and discusses with customers about possible earlier payment milestones for existing contracts. Liquidity position is monitored regularly at Finance Committee, management and Board meetings.

The Group controls costs to achieve better project margins and expand market reach to new customers. It tracks all loan covenants and ensures that there will be no defaults. The Group also monitors debt maturity profiles, tracks short-term loans which are used to finance long-term assets and closes any mismatch between short-term financing and long-term assets as much as possible.

Sembcorp Marine establishes good relationships and communication channels with financial institutions and banks to ensure that sufficient credit lines are available to meet liquidity needs. It negotiates milestone payments for existing contracts and focuses on delivery and achievement of billing milestones to expedite collection of payments from

existing projects. The Group also accelerates settlement and collection of project variation orders.

Compliance Risks

Sembcorp Marine consistently monitors compliance risks, identifying and assessing corresponding risks and controls. Compliance risk management is discussed at multiple platforms and initiatives are tailored to address respective risk areas. Such initiatives are implemented and communicated across the Group, including policies relating to ethical business practices and Code of Business Conduct. Awareness and training sessions are held for all levels of employees, including all senior management, as well as all Board members. Including classroom training sessions, some 3,159 employees have received anti-bribery compliance training as at December 31, 2017. This group constitutes 87% of Sembcorp Marine's global workforce holding executive positions and above.

The Group requires employees and third-party agents to acknowledge regularly that they are compliant with the Sembcorp Marine compliance policies and Code of Business Conduct. Employees are reminded to raise concerns about possible violations of law or policy through the Sembcorp Marine whistle-blowing channel.

The CRO and senior management visit overseas yards and offices frequently to amplify "tone from the top" messages on compliance and to reinforce the Group's zero-tolerance stance against bribery and corruption. These visits also serve to open the communication channel for staff to escalate risk issues on the ground for management's attention.

Constantly on its guard against dealing with business partners (vendors, contractors and third-party agents) with poor ethics and reputation, Sembcorp Marine has been strengthening its compliance programme since 2016. Business partners are referred to an online Guidebook to Code of Business Conduct published on the corporate website, which they are expected to comply with. A due diligence framework comprising Anti-Bribery Compliance (ABC) due diligence policies and procedures is in place. Extending this further, Group policies were reviewed by external Brazilian legal adviser Trench, Ross, Watanabe (TRW) and localised for Sembcorp Marine's Brazilian yard, Estaleiro Jurong Aracruz Ltda (EJA). The Group subscribes to a tool which screens names for adverse media, politically exposed persons, sanctions, as well as regulatory and other enforcements. Currently, a vendor declaration form is being rolled out aimed at getting assurance from vendors that they comply with the Group's Code of Business Conduct; the target is to obtain declaration from all active vendors on their compliance.

RISK MANAGEMENT

Road shows are conducted in Singapore and overseas yards to reinforce staff awareness of Corporate Governance, Risk Management and Internal Controls with the aim of ingraining ethical practices – doing what is right even when no one is looking – into Sembcorp Marine’s corporate culture. In the coming year, these road shows will continue to be a staple employee outreach programme, emphasising the Group’s compliance stance.

Strategic Risks

Sembcorp Marine continues to be vulnerable to external factors. To prepare for these risks, the Group constantly scans the business horizon for developments, and the Board consistently interacts with senior management at various forums, exploring options and going through scenario-planning so as to be ready to manage the major risks should they materialise, or seize emerging business opportunities.

Country risk exposures are monitored within tolerable limits, with breaches thoroughly investigated. Board and senior management review investments and projects involving high-risk jurisdictions and ensure adequate safeguards are in place before they are allowed to proceed.

The risk appetite statements, metrics and tolerance limits are constantly reviewed and recalibrated to ensure an appropriate balance between risk-taking and optimising returns. The corresponding Risk Appetite Statement Dashboard is reviewed by ERM and BRC regularly and (where applicable) specific control measures and corrective actions are discussed and put in place.

Operational Risks

- **Project Risks**

To minimise project delivery delays and costs-overruns, Sembcorp Marine makes sure that work processes are well understood at the outset so as to pre-empt working with incomplete, ambiguous or inaccurate requirements. The Group does periodic reviews to ensure that each project’s work progress adhere to its planned schedule; resources are allocated for key deliveries; and allocation is optimised by redeploying under-utilised assets and resources. Training is conducted, and investments are made in modern equipment and technology, to improve operational efficiency and effectiveness. Actual project costs are controlled in order to achieve target contribution.

- **IT Risks**

In order to achieve target Recovery Time Objective and Recovery Point Objective for critical system failures, the Group has put up disaster recovery plans for critical systems, which are tested and reviewed annually. The Group backs up data periodically and backup data are stored at alternate data centres. Fire alarms and temperature sensors are installed, along with environmental security controls (e.g. fire suppression system, smoke detection system, water detection system and raised concrete floor) at the server room.

The Group also places attention on the rising cyber threat. Network security measures have been put in place. To manage the evolving threat, penetration-testing by external consultants has been planned for, so as to strengthen IT systems and infrastructure.

- **Human Capital**

In order not to exceed the target turnover rate for management staff and to achieve the desired succession index, Sembcorp Marine enhances its flexible benefits plan to improve staff welfare; allows job rotations among staff; and harmonises HR and employee welfare practices across the Group where possible. The Group continuously improves its on-boarding process, as well as reviews and, where possible, takes corrective actions based on constructive feedback from exit interviews. It identifies key personnel and grooms high-potential employees for leadership succession.

- **Health, Safety, Security & Environment Risks**

Social and Environmental

With zero-tolerance for fatalities and so as not to exceed the Group’s tolerance limits for Workplace Injury Rate, Accident Severity Rate and Accident Frequency Rate, the Group has implemented the following Sembcorp Marine Workplace Safety & Health (WSH) strategic thrusts (which are aligned with national WSH 2018 and WSH 2018 Plus strategies):

- Continuous enhancement of Health, Safety and Environment (HSE) competencies and capabilities;
- Improvement in risk and safety management systems;
- Building up commitment and leadership towards collective WSH culture; and
- Involvement and support from stakeholders to develop a strong partnership and foster a positive HSE culture.

HSE performance indicators are reviewed with management. Various HSE programmes are organised to instil HSE awareness in the workforce, along with risk intervention programmes for identified key risks.

The Group conducts on-site inspections, walkabouts and audits to identify all potential risks and hazards. It improves the Sembcorp Marine HSE management system by benchmarking the Group's HSE policy and procedures with applicable legal regulations and industry best practices.

- **Supply Chain Risks**

The Group requires Procurement staff to adhere to proper integrity standards and be accountable and transparent in all their dealings. Procedures are in place to ensure proper transaction documentation, good procurement practices, ethical behaviour and open and fair competition.

The Group qualifies vendors to ensure a portfolio of best-in-class vendors is available for use. These vendors are qualified based on their company profiles, financial standing, technical capability and expertise. Performances of key vendors are reviewed annually. Vendors are also required to declare their compliance with the Group's Code of Business Conduct, thus ensuring an ecosystem of ethical business practices.

Purchase orders and procurement contracts are structured to promote effective and efficient administration during execution. Purchase orders or purchase contracts are issued promptly in order to secure timely delivery of goods. To safeguard its interests, the Group has adequate terms and conditions in its purchase orders and contracts. There are also effective controls to ensure that purchase terms and conditions are negotiated in conformity with the Company's procurement policy and procedures.

- **Critical Assets Risks**

Sembcorp Marine ensures that its current systems, processes and controls are adequate and effective in procurement, construction, installation, operation, maintenance and certification of the Group's critical assets. It identifies, establishes and implements best practices and guidelines for the management of these assets.

Sembcorp Marine promotes Group-wide sharing of information and discussion concerning the quality, reliability and other material issues of equipment and machinery commonly used in the industry, including case studies of critical asset failures and near-misses.

Insurance is also a key mitigation for operational risks (and other risk areas, where applicable). The Group actively identifies projects with residual risk exposure and acquires insurance to cover or reduce exposure as practically possible. Critical assets are also covered by insurance to hedge against unexpected losses and downtime. Insurance is further procured for identified personnel to mitigate key-man risks. The Group leverages insurance as a means of risk transfer where it is cost-effective to do so, or required by contractual obligations or legislation.