

# COMPLIANCE

## REGULATORY COMPLIANCE

Compliance risk is the risk arising from the violation of, or non-conformance with, local or cross-border laws, rules and regulations. Failure to comply with laws, rules and regulations can result in increased reputational and legal risks, as well as enforcement and regulatory proceedings.

Compliance risk includes conduct risk, which is the risk that Sembcorp Marine's employees or business partners may (intentionally or through negligence) harm stakeholders and the Group.

Extensive compliance requirements can result in increased reputational and legal risks. Failure to comply with regulations and requirements can result in enforcement and/or regulatory proceedings.

Ongoing implementation of regulatory changes and increasing compliance requirements can increase Sembcorp Marine's compliance costs.

The primary goals of Sembcorp Marine's Regulatory Compliance are to:

- Maintain a framework that facilitates enterprise-wide compliance with local and cross-border laws, rules or regulations;
- Ensure that Sembcorp Marine's internal policies and procedures, and applicable standards of conduct are observed; and
- Drive and embed a risk culture of compliance, control and ethical conduct.

To anticipate, mitigate and control compliance risks, the Group adopts the following process:

- Communicate a strong culture of compliance, control and ethical conduct;
- Identify compliance risks (viz. anti-money laundering, anti-bribery and anti-corruption, counter-terrorism financing, politically exposed person, crimes and others);

- Stipulate risk assessments required and set the standards for these requirements;
- Identify regulatory changes, as well as assess and address the impact;
- Perform compliance assurance activities to oversee adherence to applicable requirements;
- Provide policies, procedures and other documentation that set the standards for employees and business partners, and oversee the application of those standards;
- Provide training to support effective execution of roles and responsibilities relating to the identification, control, reporting and escalation of matters linked to compliance regulatory risks;
- Inform the Board and designated committees on the effectiveness of the processes and standards implemented to manage compliance regulatory risks; and
- Escalate to the Board any actual or likely violation of law, regulation, policy or significant compliance risk, and take reasonable action to see that the matter is appropriately identified, tracked and resolved, including the issuance of corrective action plans.

## Compliance Structure

Sembcorp Marine established a dedicated in-house Compliance Department in 2019 to enhance and complement the existing Enterprise Risk Management (ERM) programme managed by the Risk Management Department.

The Compliance Department focuses on regulatory Compliance work. The Head of Compliance reports to the President & CEO and has direct access to the Board on Compliance matters. The Compliance Department supports senior management and the Board in fulfilling oversight responsibility for the Sembcorp Marine's compliance and ethics programmes, policies and procedures.

The Group also established a Compliance Committee. Comprising the senior management of Sembcorp

Marine, the committee takes the lead to drive Compliance matters of the organisation. The role of the Compliance Committee is to promote a culture of Compliance in the Group and to ensure that its activities are conducted in accordance with national and international laws and regulations that are being implemented across the globe.

## Compliance Framework

The Compliance Framework covers the following:

- Compliance culture;
- Compliance policies and procedures;
- Codes of Conduct;
- Compliance processes;
- Compliance risk assessment, monitoring, testing and remediation;
- Compliance training and communication;
- Whistle Blowing; and
- ISO 37001 certification

## Compliance Culture

Sembcorp Marine aspires to continuously build and strengthen a culture of compliance, control and ethical conduct across the Group.

As part of Sembcorp Marine's strict stance of zero tolerance towards bribery and corruption, we implemented initiatives to promote Compliance awareness amongst our employees, business partners and stakeholders.

We also launched our inaugural Compliance Awareness Week in November 2019 to reinforce a culture of compliance across all levels within the Group. This event highlighted specific themes on compliance and ethics to help all participants understand the standards they were expected to meet.

## Compliance Policies, Procedures

Sembcorp Marine's Compliance Department develops and maintains all compliance-related policies and procedures, including anti-bribery, anti-money laundering,

fraud, corporate gifts, hospitality, donations, sponsorships, conflict of interest and appointment of third party representatives. These are reviewed periodically, to ensure that they are updated and compliant with applicable laws, rules and regulations. These policies and procedures apply across the board to all business units within Sembcorp Marine.

### Codes of Conduct

Sembcorp Marine has strict Codes of Conduct.

The **Code of Business Conduct** applies to every Director and employee in Sembcorp Marine, its subsidiaries and joint venture companies where Sembcorp Marine exercise management control. It also applies to Business Partners and Third Parties engaging in business transactions with and on behalf of Sembcorp Marine. All are required to respect and act consistently with the Code of Business Conduct in the performance of any contracts entered into with Sembcorp Marine.

Code of Business Conduct includes fairness and opportunity, protection of information and data integrity, insider trading, gifts and entertainment, conflict of interest, bribery and corruption, competition and anti-trust laws and international trade controls, money laundering prevention, political contributions and contributing to our communities.

The **Employee Code of Conduct** applies to all employees, who are required to be familiar with the Code and to comply strictly with the principles and guidelines contained therein. Importantly, it requires all employees to carry out their duties and responsibilities to the highest degree of personal and corporate integrity. The Employee Code of Conduct sets out the principles and guidelines governing legal and ethical conduct when conducting business, personal conduct at the workplace, conflict of interests and prohibitions against bribery and corruption,

amongst others. Disciplinary actions, including suspension or termination of employment, will be taken in the event that an employee is found to have violated the Employee Code of Conduct.

The **Supplier Code of Conduct** applies to all key suppliers, vendors and subcontractors of Sembcorp Marine and its affiliated companies. The Supplier Code of Conduct was developed to integrate sustainability into our supply chain management and procurement process. The areas covered include the adoption of socially responsible practices and meeting the necessary standards with respect to human rights, labour management, social responsibility, occupational health and safety, security, environmental sustainability and business ethics.

### The Guide to the Code of Business Conduct

The Guide to the Code of Business Conduct was published at Sembcorp Marine's website to provide a comprehensive overview which highlights the key points in the Code of Business Conduct. It is periodically reviewed and updated. Our Business Partners and Third-Party Representatives are to read and comply with the standards and guidelines laid out in the Guide.

### Compliance Processes

As part of our annual review, we have improved our due diligence process for all third-party representatives who represent Sembcorp Marine in business dealings by conducting compliance screening checks and requiring them to provide a statement of compliance. We will continually monitor and review the effectiveness of the process for further enhancements.

### Compliance Risk Assessments, Review and Monitoring

We carry out periodic risk assessments to ensure the continued effectiveness of compliance policies and procedures, taking into

account relevant developments and circumstances and to regularly address and update compliance risks and policies.

Independent internal and external audits review the effectiveness of the Compliance programmes.

### Compliance Training and Communication

The Group has initiated an annual compliance e-learning training programme for all directors and management employees. The content of the training covers the key compliance policies and employees are required to pass the assessments at the end of the training to complete the training. Non-management employees will be briefed periodically during their regular meetings in the course of their work activities. Employees are also required to declare any potential conflicts of interests upon hiring and at any time when there is a change in conditions.

### Whistleblowing Policy

Sembcorp Marine's Whistle-blowing policy encourages the reporting by any person on any possible improprieties in matters of financial reporting, suspected bribery or corruption, misconduct or violation of Sembcorp Marine's Code of Conduct and policies. The channels of reporting are clearly defined and reports can be made in-confidence and without fear of retaliation.

### ISO Certification

Sembcorp Marine was ISO 37001 certified in October 2019 and successfully completed the 1<sup>st</sup> Surveillance Audit in November 2020.

Sembcorp Marine's Brazil yard, Estaleiro Jurong Aracruz also achieved ISO 37001 certification in February 2021.