

Independent assurance statement

To the Management and Stakeholders of PowerSeraya Limited

For the second year, Ere-S Pte Ltd was commissioned by PowerSeraya Ltd to provide assurance that the content of its Sustainability Report is accurate, reliable and supported by solid data collection systems. For qualitative information, the assurance is based on evidence that the statements truly reflect PowerSeraya's operational and strategic activity.

Scope and objectives

The assurance engagement was executed in accordance with the AA1000 Assurance Standard (AA1000AS 2008). Following a Type 2 assurance of the standard, we evaluated the adherence to the AA1000 AccountAbility Principles (AA1000APS 2008) and the reliability of the performance information contained in the Sustainability Report.

The audited information included figures and statements on CSR initiatives, strategy, policies, procedures, key performance indicators, management systems and associated processes. Information not related to sustainability and already supported by existing documents, such as the Annual Report, was not covered in the audit. This includes all or part of the organisation profile, corporate structure and corporate financial and economic performance, technical descriptions of buildings and plants, equipment and production processes. Ere-S did not assure the Sustainability Report for the GRI Application Level check but did evaluate all new indicators and other relevant information found in the GRI index table.

We provided a moderate level of assurance with management-level data verification and evidence gathering from diverse sources. We did not execute multi-level research to determine materiality and stakeholders relevant to the company. However, the company's sustainability systems and processes were evaluated using the inclusivity, materiality and responsiveness criteria of the AA1000 AccountAbility Principles. The quality of the Sustainability Report content was evaluated using the GRI G3 quality principles.

The assurance engagement was conducted at the corporate headquarters, Pulau Seraya Power Plant and Jurong Power Station between June 21 and July 14, 2010.

Responsibility and independence

The responsibility of Ere-S was to execute the assurance engagement, prepare the assurance report and this assurance statement for the management of PowerSeraya alone and for no other purpose. The management of PowerSeraya was responsible for the preparation of the Sustainability Report and all statements and figures contained within it.

Ere-S was not responsible for any prior work on the Sustainability Report. The activity of Ere-S is independent to PowerSeraya and contains no other financial interest in their business operation.

Methodology

During the preparation phase, we reviewed the Sustainability Report content and the company's CSR framework, procedures and policies to identify the relevant elements to be audited. Statements and data sets were classified according to the relevant data owners and the type of evidence required for the audit process.

We interviewed 18 individuals, including the CEO, group heads from Corporate Services and Utilities, and managers of key business units Environmental, Human Resources, Legal & Regulatory Affairs, Energy Markets, Seraya Energy, Corporate Finance as well as the President of the Union of Power & Gas Employees. Specific questions on the adherence to AA1000 principles were asked during the interviews and evidence of the relevant data, collection and calculation methods as well as information on the underlying processes were collected and evaluated. Audited information included internal publications, data sheets, certificates, emails, policies, reports, press releases and web sites of external parties.

After each interview, we provided recommendations to allow immediate amendment by the PowerSeraya sustainability reporting team. We checked the final version of the Sustainability Report to confirm the actions had been taken following those recommendations.

Findings and observations

On the basis of our review, nothing has come to our attention that causes us to believe that the sustainability framework of PowerSeraya does not adhere to the AA1000 AccountAbility Principles. In addition, the findings of the assurance engagement provide confidence, within satisfactory limits, that the reported performance information provides a reliable and fair representation of the PowerSeraya sustainability profile and is supported by comprehensive and verifiable data and underlying management processes.

Notwithstanding new ownership of the company, which implied operational and strategic changes, we have found that PowerSeraya's commitment to improve its CSR performance has remained steadfast since the last reporting exercise in 2009.

We are also pleased to see that recommendations for improvement expressed during last year's assurance engagement have been followed for this reporting exercise. These include the disclosure of more information on sustainability performance such as the indirect emission of CO2 from purchased electricity, and expanding the scope with specific material issues in the area of human rights, although the latest are yet not covered by formal policies and data collection processes.

Evaluation of reported sustainability performance

Based on the work undertaken, we are confident that the Sustainability Report content satisfies the requirements of GRI G3 quality principles. The report is detailed and comprehensive with a significant number of GRI indicators. Historical and comparable figures are disclosed for the majority of the elements and the inclusion of negative aspects of the company sustainability performance provides a fairly balanced view.

On the basis of a moderate level of assurance, the report shows a satisfying level of accuracy and reliability. We have found evidence for all elements audited with only a small number of cases where the data source was not properly reflected in the report due to incorrect transcription or calculation. These minor inaccuracies were immediately corrected by the sustainability reporting team. The team also followed the majority of the other recommendations expressed by Ere-S, which covered the insertion of additional statements, figures and indicators.

We recommend the disclosure of more measurable targets covering all relevant sections of the report and GRI categories. Similarly, new or improved guidelines and data collection processes could be developed for data sources not reported yet but deemed material, such as input materials, recycled materials and customer satisfaction level.

Evaluation of the adherence to AA1000 AccountAbility Principles

Inclusivity - How the organisation engages with stakeholders and enables their participation in identifying issues and finding solutions.

We have found evidence of processes for engagement with all stakeholder groups mentioned in the Sustainability Report. The most significant interaction and feedback mechanisms include regular staff management dialogues, supplier meetings, customer surveys and safety surveys. Stakeholder involvement in decision making is essentially seen through the frequent meetings with the union. In the areas of environment and health & safety, stakeholder engagement is strong and supported at all levels of the company.

However, for other sustainability areas such as impact on the community, stakeholder engagement is limited and made on a per project basis. Although most of the social and labour issues in Singapore are covered by regulations and government bodies, PowerSeraya could benefit from more structured and specific engagement processes with the community, NGOs and suppliers to assess their needs and perception of the company.

Materiality - How the organisation recognises issues that are relevant and significant to it and its stakeholders.

We have found that PowerSeraya has applied appropriate methodologies to identify its material issues. Assessment of priority and significance of these issues is done through feedback obtained from stakeholders and the work done during the sustainability reporting exercise. The inclusion in the report of new GRI indicators related to human rights and the GRI Electric Utility Sector Supplement shows the efforts made in redefining the materiality scope.

Areas of improvement include embedding formal processes in the company's management system to re-evaluate and identify current and emerging material issues on a regular basis. Inclusivity of stakeholders will play an important role in that aspect.

Although we did not find any high materiality issues that PowerSeraya has not addressed within the Sustainability Report, further development of the scope could be considered in the areas of community impact in the region surrounding the power plant, and labour practices other than health & safety in the supply chain.

Responsiveness - How the organisation responds to stakeholder issues and feedback through decisions, actions, performance and communication.

PowerSeraya responsiveness to stakeholders concerns and expectations is seen through diverse interaction mechanisms and other processes embedded in the management system, such as the ISO14001 and the OHSAS 18001.

Mechanisms to inform stakeholders include customised publications for employees, shareholders and customers as well as more global outreach such as the company website, education programmes to the community and a detailed Sustainability Report based on internationally recognised standards (GRI and AA1000).

The above findings and additional suggestions for improvement have been presented to the management of PowerSeraya in a more detailed assurance report.



Singapore, 16 July 2010

A handwritten signature in black ink, appearing to read "Jean-Pierre Dalla Palma".

Jean-Pierre Dalla Palma, Director and Lead Auditor

A handwritten signature in black ink, appearing to read "Poh Shuxian".

Poh Shuxian, Director

Ere-S Pte Ltd is a consulting company specialising in business sustainability and provides services in the domains of CSR strategy design and implementation, stakeholder engagement, sustainability reporting, sustainability report assurance and training.



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