

Group FY2017 Highlights	2	Our Material ESG Issues	90
Chairman and CEO's Statement	4	• Environmental	90
Our Group Strategy	12	– Climate Change	
Our Utilities Strategy	14	– Local Environmental Protection	
CEO Interview	20	– Energy and Water Efficiency	
Sembcorp at a Glance	24	• Social	97
		– Health and Safety	
		– Our People	
		– Community	
Operating and Financial Review	28	• Governance	106
Group Financial Review	30	– Corporate Governance	
• Group Financial Highlights	30	– Risk Management	
• Group Quarterly Performance	31	– Compliance	
• Five-year Financial Performance Profile	32	– Ethical Business Practices	
• Turnover	37	Corporate Governance Statement	114
• Net Profit	37	Investor Relations	132
• Cash Flow and Liquidity	39	Independent Limited Assurance Report	134
• Financial Position	39		
• Shareholder Returns	39		
• Economic Value Added	39		
• Value Added and Productivity Data	39	Financial Statements	137
• Critical Accounting Policies	39	Directors' Statement	138
• Financial Risk Management	39	Independent Auditors' Report	150
• Treasury Management	43	Balance Sheets	158
• Facilities	43	Consolidated Income Statement	160
• Borrowings and Issuance of Perpetual Securities	43	Consolidated Statement of Comprehensive Income	161
Utilities Review	46	Consolidated Statement of Changes in Equity	162
Marine Review	54	Consolidated Statement of Cash Flows	166
Urban Development Review	62	Notes to the Financial Statements	169
		Supplementary Information	321
Our Leadership	70	EVA Statement	325
Board of Directors	70	Shareholders' Information	326
Technology Advisory Panel	75	Governance Disclosure Guide	328
Senior Executives	79	Corporate Information	339
		Notice of Annual General Meeting	340
Environmental, Social and Governance Review	80	Proxy Form	347
Managing Sustainability	82	Financial Calendar	Inside Back Cover
• Sustainable Development Goals	83		
• Our Material ESG Issues	84		
• Reporting Practice	86		
• Our Supply Chain	87		
• Sembcorp's Unique Utilities Business	89		

THINKING FORWARD

As we think forward and boldly seize opportunities in a changing marketplace, we are confident that the actions we are taking will make for a stronger, better performing and more sustainable Sembcorp.



Neil McGregor
Group President & CEO

 Read more on our strategy on pages 12 to 19

Group FY2017 Highlights

GROUP

TURNOVER

S\$8.3 billion
US\$6.2 billion

2016:
S\$7.9 billion / US\$5.5 billion

EBITDA

S\$1.3 billion
US\$934 million

2016:
S\$1.3 billion / US\$919 million

PROFIT FROM OPERATIONS (PFO)

S\$795 million
US\$588 million

2016:
S\$909 million / US\$635 million

NET PROFIT

S\$231 million
US\$171 million

2016:
S\$395 million / US\$276 million

TOTAL ASSETS

S\$23.2 billion
US\$17.2 billion

2016:
S\$22.3 billion / US\$15.6 billion

RETURN ON EQUITY

3.2%

2016:
6.2%

TOTAL DIVIDEND

5.0 cents
per ordinary share

2016:
8.0 cents per ordinary share

EMPLOYEES

>7,000

2016:
8,000

GLOBAL PRESENCE

15 countries

2016:
15 countries

EBITDA: earnings before interest, tax, depreciation and amortisation

UTILITIES 100%



TURNOVER

S\$5.7 billion
US\$4.2 billion

2016:
S\$4.1 billion / US\$2.9 billion

PFO

S\$650 million
US\$480 million

2016:
S\$737 million / US\$515 million

NET PROFIT

S\$140 million
US\$104 million

2016:
S\$348 million / US\$243 million

MARINE* 61%**



TURNOVER

S\$2.4 billion
US\$1.8 billion

2016:
S\$3.5 billion / US\$2.5 billion

PFO

S\$65 million
US\$48 million

2016:
S\$171 million / US\$119 million

NET PROFIT

S\$14 million
US\$10 million

2016:
S\$79 million / US\$55 million

URBAN DEVELOPMENT 100%



TURNOVER

S\$7.8 million
US\$5.7 million

2016:
S\$7.0 million / US\$4.9 million

PFO

S\$89 million
US\$66 million

2016:
S\$38 million / US\$27 million

NET PROFIT

S\$83 million
US\$62 million

2016:
S\$33 million / US\$23 million

* Figures taken at Sembcorp Marine level

** As at December 31, 2017. Shareholding figures are calculated based on the number of issued ordinary shares excluding treasury shares



Ang Kong Hua
Chairman



Chairman and CEO's Statement

Neil McGregor
Group President & CEO

Dear Shareholders,

2017 was a challenging year for Sembcorp's business sectors.

Group net profit for the year was S\$230.8 million compared to S\$394.9 million, while turnover was S\$8.3 billion compared to S\$7.9 billion in 2016. While our Urban Development business delivered record profits in 2017, with net profit growing 150% to S\$83.2 million, we saw lower profit contribution from both our Utilities and Marine businesses. Net profit from the Utilities business was S\$140.0 million compared to S\$348.0 million in 2016. The business recorded exceptional losses totalling S\$120.8 million, comprising mainly refinancing costs, impairment charges as well as provisions. The Marine business contributed net profit of S\$6.8 million in 2017 compared to S\$48.3 million the previous year. The Group's return on equity was 3.2%.

While our weaker financial results were a consequence of the difficult market environment, your board and management fully recognise the challenges we face, and are committed to addressing them head-on to lift our performance and returns. It is our firm belief that these challenges, together with market and industry disruptions, offer the

In February 2018, we unveiled a new strategy for the future of Sembcorp, with a focus on delivering success in the energy sector.

opportunity for us to think forward, adapt, and take decisive steps and reposition Sembcorp for success in a rapidly changing world. With a new Group President & CEO at the helm, we undertook a review of our businesses, and have charted a clear roadmap to enhance the value of our company and build a better, brighter future for Sembcorp.

 For more on the performance of our businesses in 2017, please refer to pages 46 to 69.

Forward Thinking: A New Strategy for the Future

In 2017, we embarked on a process of strategic review for the Group. Our goal as we sought to reposition Sembcorp was threefold. We aimed to:

- Review our strategies and business models against the realities of the marketplace and global trends, changing and enhancing them where required
- Refocus our businesses, strengthen our performance and balance sheet
- Reshape our organisation, putting in place the right structure and capabilities for Sembcorp's future

In February 2018, we unveiled a new strategy for the future of Sembcorp, with a focus on delivering success in the energy sector. Along with this, we shared decisive steps we are taking in line with our new direction.

Focusing on Performance

Our first priority is to lift the Group's performance. We recognise that to do this, and return our businesses to growth, requires an uncompromising focus on capital allocation and necessitates the strengthening of our balance sheet.

To this end, we will sharpen our attention to disciplined capital allocation, looking at both the strategic allocation of resources as well as the quality of investments. By defining our priorities and investment criteria centrally,

we believe we can better diversify risk, and also capture opportunities through aligning our businesses with trends in the global marketplace.

In addition, we will step up capital recycling efforts. One example of action on this front is the proposed initial public offering (IPO) of our India energy business. To build a platform for the business' future growth and sustainability, we initiated the process for an IPO of Sembcorp Energy India Limited on BSE Limited and the National Stock Exchange of India, with the filing of a draft red herring prospectus in February 2018. We also entered into a conditional agreement to divest our municipal water operations in South Africa. Over the next two years, we are targeting divestments of our peripheral Utilities assets to deliver estimated cash proceeds of up to S\$0.5 billion. This is additional to potential

We will sharpen our attention to disciplined capital allocation, looking at both the strategic allocation of resources as well as the quality of investments.

Chairman and CEO's Statement

proceeds from the proposed IPO of Sembcorp Energy India Limited. We believe that this focus on active and systematic capital recycling will enable the Group to strengthen our balance sheet and deliver sustainable growth.

In managing our portfolio for performance, we recognise the need for each of our businesses to have strong and distinctive business models that are customer-centric, technology-enabled and offer long-term growth opportunities.

With its full spectrum of innovative offshore and marine engineering solutions, as well as state-of-the-art yards and capabilities, our Marine business is a globally competitive one. While the macro environment remains challenging, we are beginning to see a number of encouraging developments. Oil prices have risen and global exploration and production spending has improved. Day rates and utilisation levels for offshore drilling rigs have increased, with higher-specification and harsh environment units leading the uptick. With the successful monetisation of its rig inventory announced in 2017, the business' cashflow position will also improve. Going forward,

Repositioning our Utilities business as an integrated energy player that is strategically positioned to benefit from this global energy transition is an important thrust of our strategy.

we believe that Sembcorp Marine's investments in technology and automation will stand it in good stead for the market's recovery.

Our Urban Development business has also established a unique business model in transforming raw land into integrated developments encompassing industrial, commercial and residential space. Its projects have a proven track record in catalysing investment, job creation and growth. From being a developer of industrial parks, the business is now well-positioned as a provider of integrated urban solutions, including sustainable integrated townships as well as high value-added business hubs and smart cities. It has a strong franchise in Asia, and has built up significant value, especially in being a respected brand amongst host governments.

Repositioning the Utilities Business as an Integrated Energy Player

Meanwhile, the energy sector is going through major shifts today. Decarbonisation, decentralisation, digitalisation and demand disruptions are transforming the industry as we know it. Against the background of increasing environmental consciousness, the global fuel mix is changing. Renewables are becoming more mainstream and gas is growing in relevance. In addition, the merchant and retail power segment is increasing in importance, while demand for integrated utilities solutions continues to grow.

Repositioning our Utilities business as an integrated energy player that is strategically positioned to benefit from this global energy transition is an important thrust of our strategy. We believe that while changing industry dynamics may be seen as a threat by some, opportunities await those who are able to transform themselves ahead of the curve.

To ensure we have the right asset mix and capabilities, and to drive innovation and growth across the breadth and depth of our Utilities business, we will focus on three business lines:



Sembcorp has a solid track record in the renewable energy sector with over 2,400 MW of wind and solar assets

- The **Gas & Power** business will target opportunities in gas importation and retail, regasification infrastructure as well as thermal power
- The **Renewables & Environment** business will focus on renewable power, water and wastewater treatment as well as waste-to-resource opportunities in the low-carbon and circular economies
- Finally, the **Merchant & Retail** business will enable the business to capture opportunities closer to customers in multiple markets and enhance competitiveness and returns

We will offer a differentiated **Integrated Energy Platform** business model that taps opportunities to provide integrated solutions across the energy and utilities value chain. By building multiple offerings around an anchor asset, we can cater to different customer needs and offer customers compelling value propositions across our Utilities business lines. This will provide enhanced returns and growth with lower development risk, and allow our Utilities business to leverage its unique strengths built up over more than 20 years. These include a global track record as a developer, owner and operator of

We will offer a differentiated Integrated Energy Platform business model that taps opportunities to provide integrated solutions across the energy and utilities value chain. This will provide enhanced returns and growth with lower development risk.

thermal and renewable energy assets. A further competitive advantage is the business' deep integration expertise.

Geographically, we will reposition our portfolio across certain developing markets and developed markets. We will look to deepen our presence in Singapore & Southeast Asia; China; India; as well as the UK, growing both organically and through acquisitions.

 For more on our strategy and roadmap to reposition the Utilities business, please refer to pages 14 to 23.

Chairman and CEO's Statement

Stepping Up Our Commitment to Sustainability

Sembcorp has long held a strong commitment to sustainability. We believe that responsible corporates can play a role as agents of transformation for a sustainable future. In addition, we see sustainability at our company as inextricably linked to our ability to deliver long-term value and growth to all our stakeholders.

Together with the international community, our company is committing to help further the United Nations' Sustainable Development Goals (SDGs), which identify areas of critical importance for humanity and the planet between now and 2030. In particular, we have identified Goal 6 (Clean Water and Sanitation) and Goal 7 (Affordable and Clean Energy) as Sembcorp's priority SDGs. These have the strongest link to our core business activities and represent the greatest opportunity for our company to contribute towards the sustainable development agenda.

We are targeting to double our renewables capacity to approximately 4,000 megawatts by 2022, with the aim of becoming one of the region's leading independent renewable energy players. Alongside this, we have set an ambitious target to reduce our carbon emission intensity in line with the 2°C climate scenario. Between now and 2022, we will reduce this by close to 25%, from the current 0.55 tonnes of carbon dioxide equivalent per megawatt hour (tCO₂e/MWh), to 0.42 tCO₂e/MWh. By 2030, we target to improve even further, reducing emission intensity to less than 0.40 tCO₂e/MWh.

 For more on sustainability at Sembcorp, please refer to pages 82 to 113.

We are targeting to double our renewables capacity to approximately 4,000 megawatts by 2022. Alongside this, we have set an ambitious target to reduce our carbon emission intensity in line with the 2°C climate scenario.

During the year, we continued to strive towards business excellence across the Group, including good health, safety and environment practices (HSE), where our target is to meet the International Association of Oil and Gas Producers' recommended safety performance. In 2017, our Group Health, Safety, Security and Environment (HSSE) department developed and implemented several additional topic-specific safety standards across our global assets, and extended its training programmes to its contractors. While we have made progress, there still remains room for improvement. It is with deep regret that we report three fatalities in 2017. Two of these incidents involved persons employed by our contractors, one at a water operation in China and another at a factory in Malaysia operated by our design and construction business. The third case, which is currently undergoing investigation by the authorities, involved a member of the public and one of our waste collection trucks in Singapore. In addition, as reported in our Environmental, Social and Governance (ESG) Review, we received significant fines for non-compliance amounting to S\$3.9 million. This included a S\$2.5 million fine our UK business received for an accident in 2013 involving a subcontractor's employee. We take each and every accident and infraction seriously. All incidents are thoroughly investigated, specific remediation measures undertaken, and process enhancements implemented across the business. Going forward, a key area of focus will be on how we can drive a culture where HSE and our

wider responsibilities to society and the environment are an integral part of how we do business. As an initial but significant step, in 2018 we revised the performance scorecard for our leadership team to include specific ESG components. With this, our award of senior executives' performance incentives will specifically take into account ESG performance and management of key ESG indicators. This underscores the importance we place on addressing ESG risks and opportunities.

Building a Dynamic Organisation

Finally, we want to build a dynamic organisation for Sembcorp that will support our strategy and growth. Our new structure, which came into effect on January 1, 2018, provides us a scalable global operating model to leverage resources and achieve growth across both markets and business lines. At the same time, we believe that by providing greater scope for development and progression, the reshaped organisation will offer our people more opportunities and help nurture a stronger pipeline of future leaders to support our long-term growth.

Along with making changes to the way our teams are structured, we are also developing and enhancing our capabilities and driving

process excellence. A key area of focus is on technology application and digitalisation. The Group will look to improve performance and capture opportunities through the acceleration of technology adoption as well as the deployment of digital technologies.

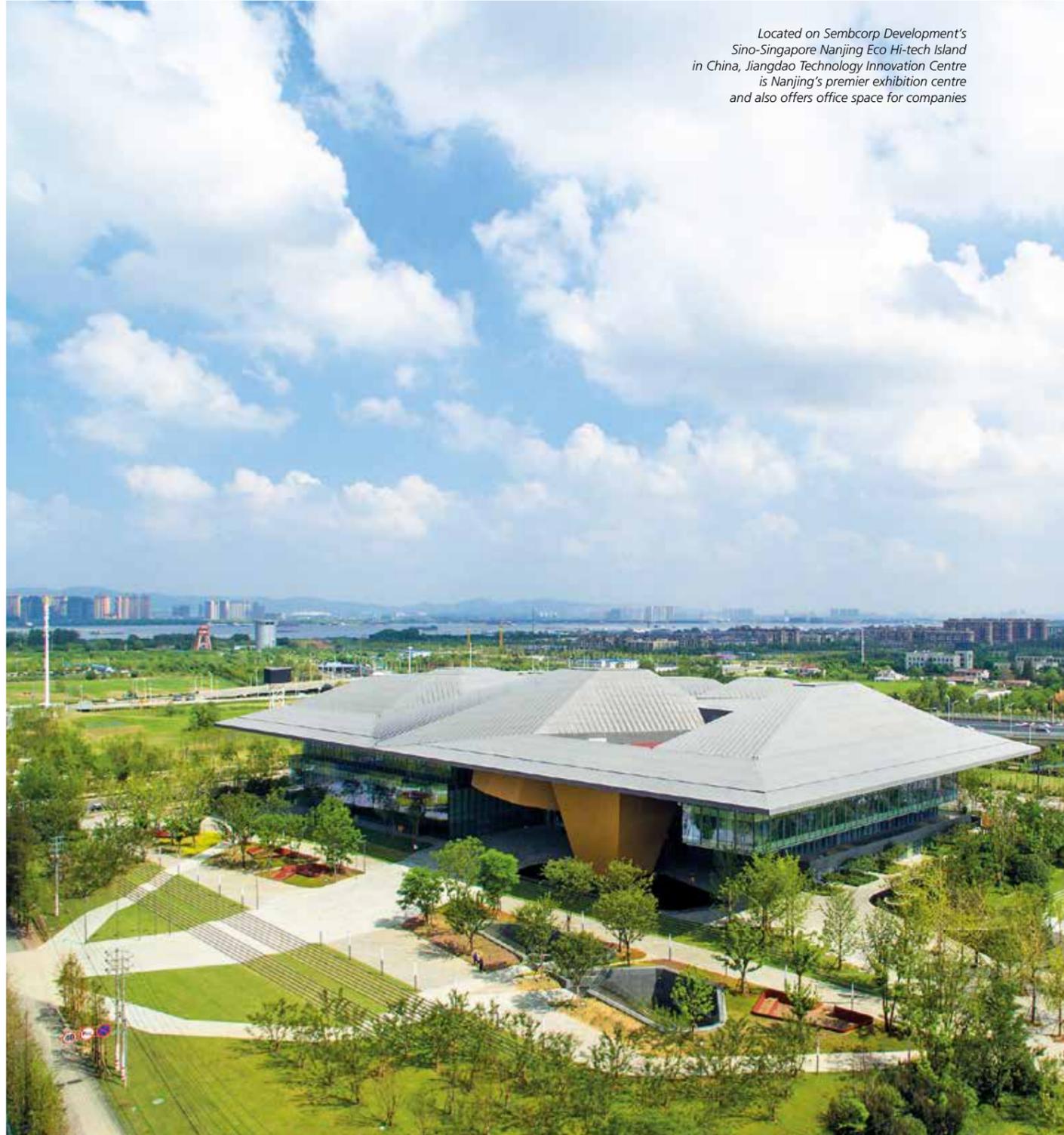
At the heart of a dynamic organisation is its people. To support our company into the future, we are enhancing our team with the right skills and expertise, deepening our bench strength and building in greater succession planning. We will also continue efforts to reinforce a dynamic high-performance culture within the company, with an unwavering commitment to integrity at its core.

To support our company into the future, we are enhancing our team with the right skills and expertise, deepening our bench strength and building in greater succession planning.



Sembcorp Marine's Tuas Boulevard Yard in Singapore offers distinct capabilities that enable cost effective execution and strengthen the business' long-term competitiveness

Chairman and CEO's Statement



Located on Sembcorp Development's Sino-Singapore Nanjing Eco Hi-tech Island in China, Jiangdao Technology Innovation Centre is Nanjing's premier exhibition centre and also offers office space for companies

Proposed Dividend for 2017

For 2017, the board proposes a final dividend of 2.0 cents per ordinary share, subject to shareholders' approval. Together with the interim dividend of 3.0 cents per ordinary share paid in August, this brings our total dividend for the year to 5.0 cents per ordinary share.

Sembcorp remains committed to our dividend policy, which aims to balance cash return to shareholders and investment for sustaining growth, while aiming for an efficient capital structure. In line with our 2017 performance, the total quantum of dividend proposed for the year is lower than in the previous year. However, we believe it is appropriate given our performance and environment, and ultimately in the best interest of both the company and its shareholders.

To underscore their support of the company through these challenging times, the directors are taking a voluntary 15% reduction in their directors' fees for FY2017. In addition, the Group President & CEO and senior management will also be voluntarily undertaking a pay reduction of 15% and 10% respectively.

A Note of Welcome and of Thanks

On behalf of the board, we would like to extend a warm welcome to Jonathan Asherson OBE, who joined our board as an independent director on July 17, 2017. Mr Asherson is the non-executive chairman of Rolls-Royce Singapore. He brings to Sembcorp rich experience in regional strategy and business, as well as in the power and engineering industries in China, Southeast Asia and the Pacific, Germany, the US and the UK.

This is the beginning of the next exciting chapter in the Sembcorp story. While there is much to do, Sembcorp has the track record, capabilities and determination to deliver.

We would like to take the opportunity to express our gratitude to our shareholders for your continued support and trust in us. As Sembcorp repositions its businesses, rest assured that you have a board and management team that understands the company's businesses and markets, anticipates the future, and will continue to take decisive and necessary action to create and deliver value. We also thank our dedicated team of employees, whose passion, professionalism and commitment continues to drive our company forward.

This is the beginning of the next exciting chapter in the Sembcorp story. While there is much to do, Sembcorp has the track record, capabilities and determination to deliver. As we think forward and boldly seize opportunities in a changing marketplace, we are confident that the actions we are taking will make for a stronger, better performing and more sustainable Sembcorp.

Ang Kong Hua
Chairman
February 28, 2018

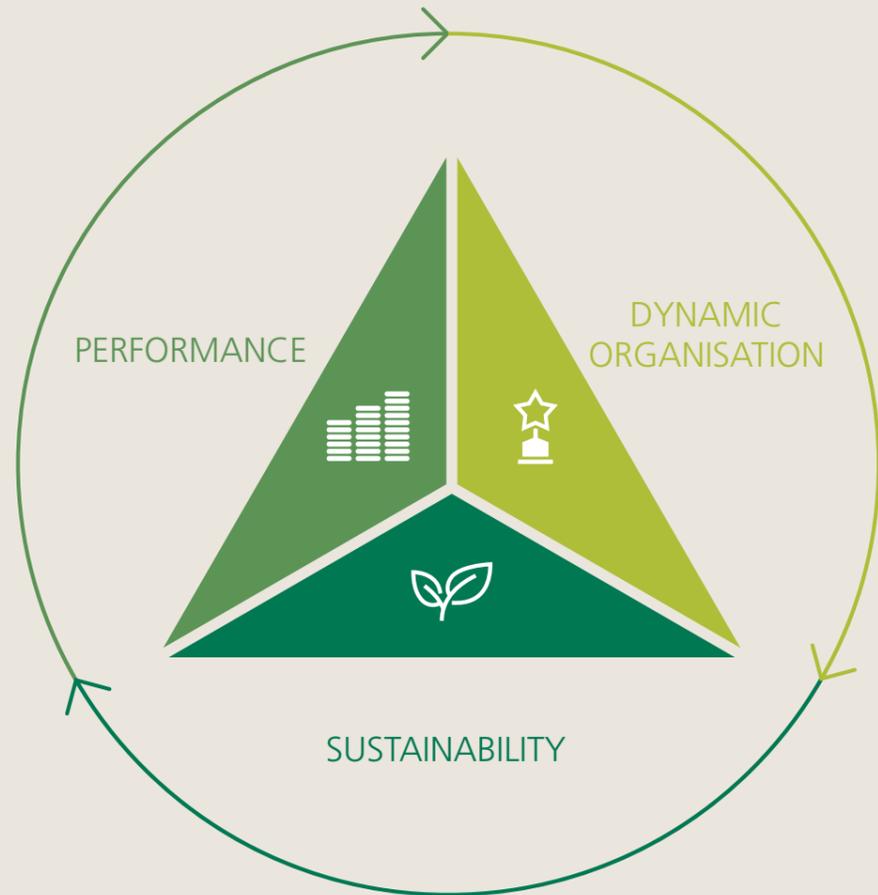
Neil McGregor
Group President & CEO
February 28, 2018

Our Group Strategy

Sustainable Value Creation

We have identified three strategic pillars which will support our ability to create and deliver sustainable value in the long term.

STRATEGIC PILLARS



PERFORMANCE

- **Disciplined capital allocation** to drive long-term value creation, diversify risk and align with economic trends
- **Systematic capital recycling** to strengthen balance sheet and enable sustainable growth
- **Active management and optimisation of assets** to enhance returns
- **Strong Business Models** – customer-centric, technology-enabled, with long-term growth opportunities

SUSTAINABILITY

- Aligned with and contributing to United Nations' **Sustainable Development Goals**
- Participation in **low-carbon and circular economies**
- **Management of ESG risks and opportunities** embedded in strategy, governance and award of employee incentives

DYNAMIC ORGANISATION

- **A scalable global operating model** to leverage resources and achieve value-focused growth
- **Capability development and process excellence** to support growth and long-term value creation
- **A vision for technology and digitalisation** that will materially improve performance
- **Dynamic high performance culture with integrity at its core**

STRONG BUSINESS MODELS

UTILITIES

[Read more on pages 16 to 19 and 46 to 53](#)



MARINE

[Read more on pages 54 to 61](#)



URBAN DEVELOPMENT

[Read more on pages 62 to 69](#)



3



Achieve Sustainable Value Creation

A global company, a leader in our industry sectors

2



Grow

- Pursue growth strategies
- Deepen reach and expand in existing and growth markets
- Active and systematic capital recycling

1



Reposition

- Review / establish strategies and business models
- Refocus businesses, strengthen performance and balance sheet
- Reshape the organisation and enhance capabilities

OUR TRANSFORMATION JOURNEY

WHY?

Realities of the Global Energy Transition

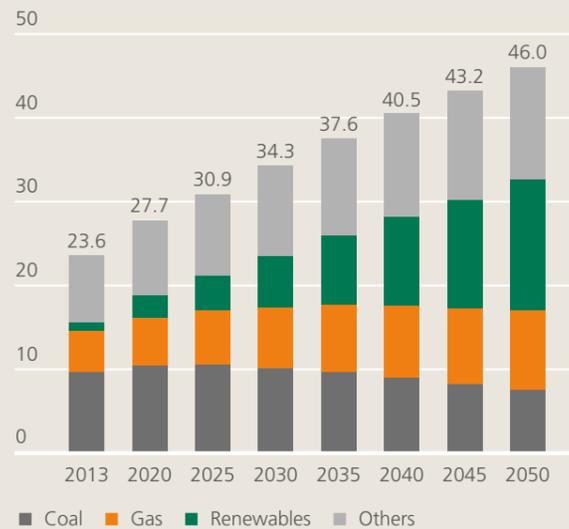
There is a fundamental shift in the global energy landscape. Decarbonisation, decentralisation, digitalisation and demand disruptions are transforming the future of the energy sector.



1 Decarbonisation

The world is transitioning to a low-carbon economy. The global energy mix is seeing significant shifts towards cleaner sources of energy.

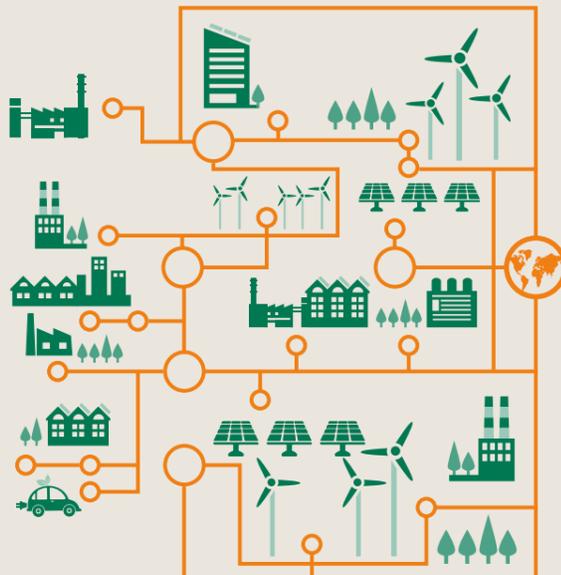
Power Generation Fuel Mix (thousand terawatt hours)



Source: McKinsey Energy Insights

2 Decentralisation

The shift to distributed energy systems is opening up opportunities for merchant and retail power, flexible generation and technology-enabled business models.



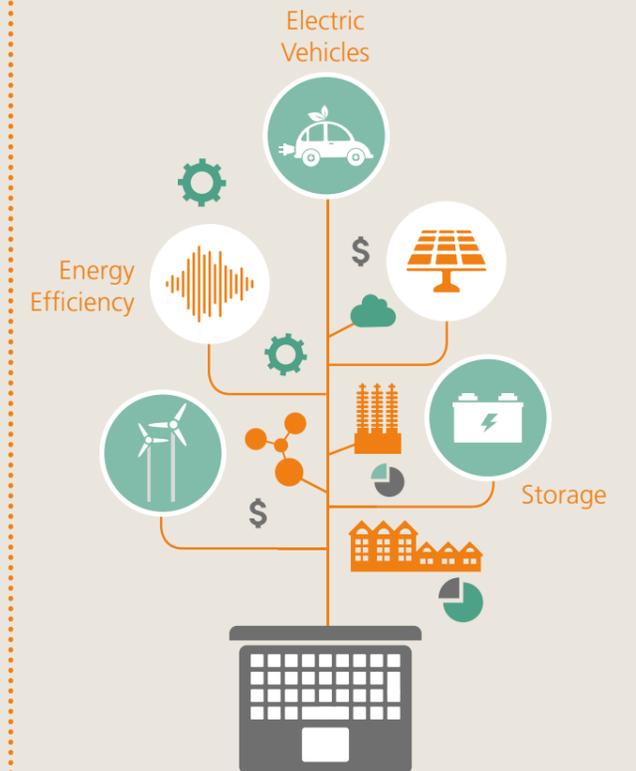
3 Digitalisation

The digital revolution is coming to the power industry. From generation to customer relationship management, it is transforming every facet of the industry's value chain.



4 Demand Disruptions

From energy efficiency, distributed generation to the electrification of vehicles, the energy sector is seeing demand disruption.



WHAT?

A Global Integrated Energy Platform

Sembcorp aims to be an integrated energy player, strategically positioned to benefit from the global energy transition. With our proven track record and capabilities, our distinctive business models deliver value and sustainable growth.

The Sembcorp O⁴ Model

We are an originator, owner or investor, operator and optimiser of energy and utilities assets. We focus on maximising value and enhancing return through asset optimisation, leveraging integration and innovation opportunities, as well as through systematic capital recycling. Our new model is platform-based and allows for organic and inorganic growth.

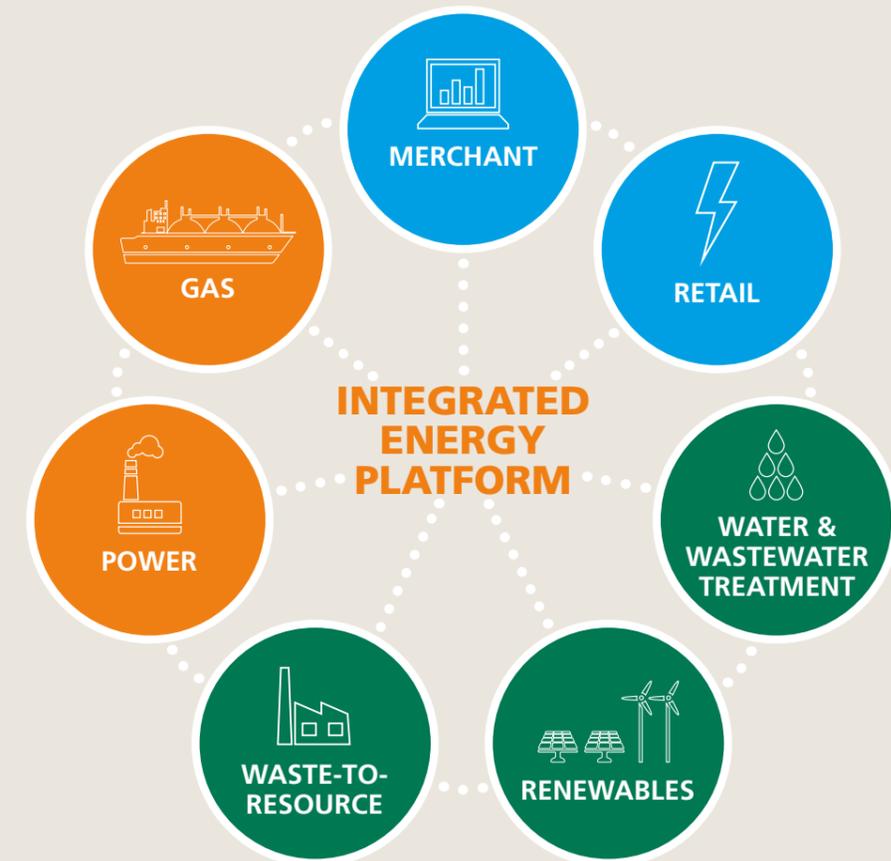


Underpinned by Competitive Advantages

- Strong track record in developing and operating thermal and renewable energy and water assets
- Deep integration expertise
- Strong foothold in high-growth developing markets and experience in developed markets

Integrated Energy Platforms

Leveraging Sembcorp's global track record and integration expertise, we offer a differentiated *Integrated Energy Platform* business model. By integrating multiple energy offerings around anchor assets, we provide our customers compelling value propositions across the energy and utilities value chain.



Why Integrated Energy Platforms?

- **Returns Uplift**: Additional offerings enhance services and products while providing upside to earnings
- **Deepens Relationship with Customers**: Insights into customer requirements provide scope for additional tailored solutions with minimal investment
- **Provides Growth while Lowering Development Risk**: Leverages knowledge of stakeholders and markets to gain further access and scale up

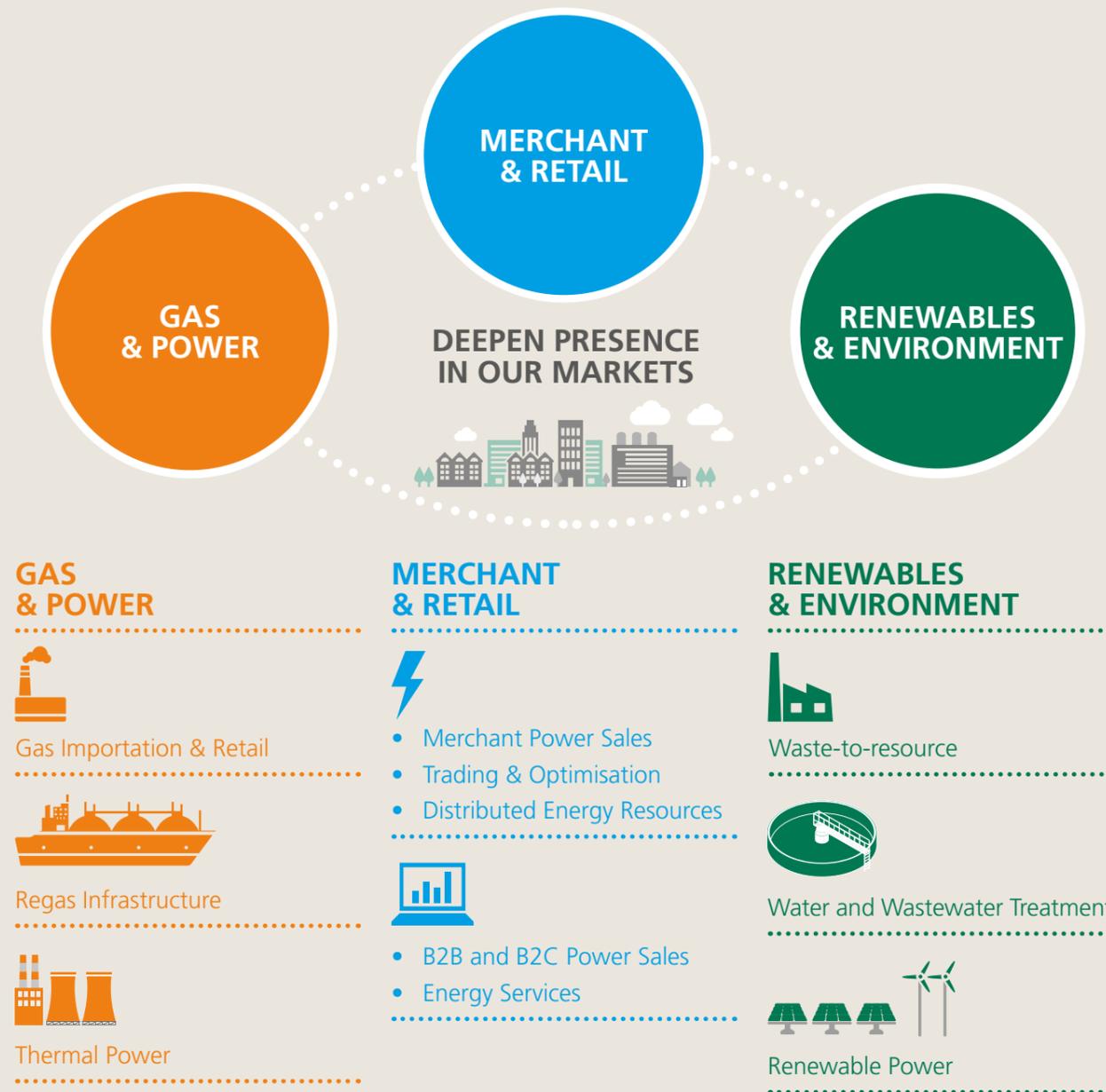
HOW?

Reshaping the Organisation

Having a dynamic organisation to support our strategy is key. Supported by a scalable operating model, we drive innovation and growth through our business lines and markets.

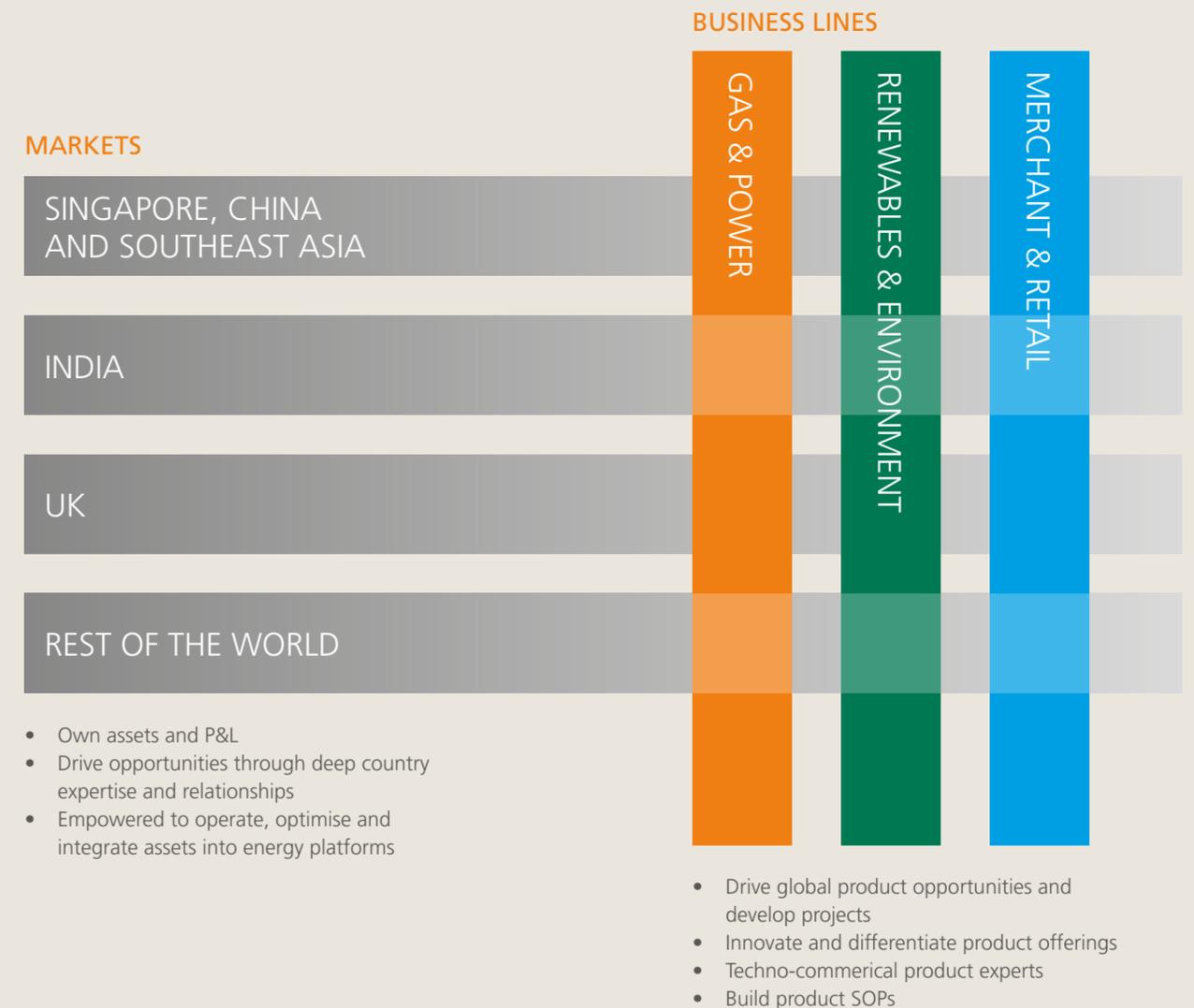
Three Business Lines

Sembcorp will focus on growth along three business lines to build and scale up integrated energy platforms and develop a pipeline for systematic capital recycling.



A Scalable Global Operating Model

Our matrix organisation allows us to leverage resources and achieve value-focused growth across markets and business lines globally.



CEO Interview

Neil McGregor
Group President & CEO



As Sembcorp's CEO what are your key priorities for the Group?

Improving our performance is my first priority. Disciplined capital allocation will be key. We need to build a sound, high-performing portfolio that is attuned to economic trends. In particular, we are reshaping our Utilities business for long-term success in a changing market. We will focus on active and systematic capital recycling, to help unlock value to support our growth. We will also reposition our presence across certain developing and developed markets.

Secondly, Sembcorp will step up its commitment to sustainability, to manage risks better and prepare itself for the future. This will also put us in a better position to capture opportunities amid the rise of the low-carbon and circular economies.

Thirdly, we will build a dynamic organisation that better supports our growth underpinned by strong governance. We have restructured our organisation to create a flexible and scalable operating model, and are actively building new capabilities for the future. With the technological disruptions in our marketplace, we are looking to harness digitalisation to transform ourselves ahead of the curve.

Improving our performance is my first priority. Disciplined capital allocation will be key. We need to build a sound, high-performing portfolio that is attuned to economic trends.

How has the energy sector changed in the last few years? What do you see as some of the challenges and opportunities these changes have brought about?

Dramatic changes are taking place in the energy sector, particularly in the power industry. Increasing concern about greenhouse gases and rising global temperatures has created increased momentum for policy change, not only in developed markets but also in developing ones. Lower-carbon or non-emitting energy sources, such as gas and renewables, have increased in relevance and account for much of the growth in new capacity worldwide.

In addition, deregulation and decentralisation are reducing barriers to entry and leading to greater competition. The merchant and retail market has come into greater prominence. Efficiency and flexibility have become more critical than ever.

Technological innovation is disrupting every stage of the value chain, from generation and asset management, to retail, transmission and delivery. At the same time, technology and digitalisation has also brought about significant opportunities to improve performance, through lowering costs, enhancing operations, growing in new niches, and enabling cost-competitive and high-quality delivery to market.

How are you repositioning your Utilities business to succeed in this new environment?

We plan to reshape our Utilities business into a leading global integrated energy player, a progressive business poised to benefit from the global energy transition.

To do this, we will realign our business focus to industry trends, refine our business model while capitalising on strengths, and rebalance our portfolio and geographical spread.

We will look to grow through three business lines: *Gas & Power*; *Renewables & Environment*; and *Merchant & Retail*. These business lines will better position our Utilities business to innovate and meet the challenges of a changing global energy landscape, with increasing decarbonisation, decentralisation, digitalisation and demand disruption.

We will also refine our business model, growing our business lines through *integrated energy platforms*. Starting from an anchor asset, we will provide multiple offerings and integrated solutions across the energy and utilities value chain. This strategy allows Sembcorp to leverage our proven integration expertise and track record as the global pioneer in centralised utilities for industrial sites. It will also allow us to capitalise on market positions we already have – both our strong foothold in high-growth developing markets, as well as our experience in developed markets.

Finally, we will look to reposition our portfolio across certain developing and developed markets. Developing markets offer a steeper growth trajectory, while markets in the Organisation for Economic Co-operation and Development (OECD) offer quality assets and cashflows. Building a balanced portfolio of strong businesses across both will allow us to generate stronger profits, which we can then reinvest for growth.

Can you tell us more about how you plan to maximise value and ensure that growth is sustainable?

We will maximise value and sustain our growth through what we call the *Sembcorp O⁴ Model*, where we act as asset and solution originators, owners and operators, and also as optimisers of both assets and capital.

Under this model, we originate and develop new projects and product offerings. We provide strength as a disciplined investor backed by strong governance, and through our operating expertise. Finally, we look to enhance returns, not only through asset optimisation – leveraging integration and innovation opportunities – but also through systematic capital recycling.

The proposed initial public offering of our India energy assets which we have recently announced is a perfect illustration of creating sustainable value this way. In addition, we are targeting divestments with estimated cash proceeds of up to S\$0.5 billion over the next two years.

Against the background of your upcoming IPO for your energy business in India, what is your view on the India market? How will it feature in your plans for the future?

India is, and will continue to be a key market for us. Since we entered India's power market in 2010, we have built up a balanced portfolio of both thermal and renewable assets in the country, with a combined capacity of over 4,300 megawatts. This comprises a thermal power complex with 2,640 megawatts of supercritical coal-fired capacity in Andhra Pradesh, as well as a renewable energy business with over 1,700 megawatts of solar and wind power capacity across seven states, as at February 2018.

In February 2018, we brought together all our thermal and renewable energy assets under a single entity, creating an independent energy company representing one of the largest foreign investments in India's power sector today. This company, Sembcorp Energy India Limited, will be well-positioned to help meet the country's growing need for sustainable, reliable power.

With the proposed initial public offering of Sembcorp Energy India Limited, the aim is to create a sustainable growth platform for our India utilities business, and bring on local and retail investors to support its future growth.

In recent years, India has seen a power surplus leading to lower spot prices and short-term tariffs. However, according to a recent market study published by CRISIL in February 2018, power demand in India is expected to increase and the country is projected to move into a 5% power deficit by the Indian fiscal year 2022. Similarly, the country's current peak power surplus is expected to reverse by the Indian fiscal year 2020. Against this background, we believe that our public offering is timely, and that Sembcorp Energy India Limited will be poised to ride favourable industry conditions for growth.

Tell us about your outlook on Sembcorp Marine given that its industry has been through a downcycle for the last few years.

The offshore and marine industry is cyclical by nature; upswings and downswings are to be expected. However, the current industry downcycle has been a protracted one, and it has undoubtedly been a challenging time for Sembcorp Marine as well as other players in the market.

Nonetheless, there have been some encouraging developments. Oil prices have firmed. Although recovery of rig orders may take some time, we are starting to see more stabilisation in day rates and utilisation levels for rigs, as well as more activity in secondary rig sales.

With over 50 years in the business, Sembcorp Marine is a leader in its field. It has successfully weathered many cycles. The business has faced the last few difficult years with fortitude and has continued to be profitable in 2017. It has gotten back to basics, focusing on tightly managing its cost and balance sheet. For instance, in 2017, it strengthened its cashflow with the sale of nine jack-ups and a semi-submersible to secondary buyers for a total of around US\$1.8 billion.

But beyond that, our Marine business has also kept the long game in mind, taking steps to strengthen its business for the future. The business has retooled and enhanced its capabilities for productivity and long-term competitiveness. It has also made a concerted effort to broaden its portfolio of non-drilling products and services, developing additional sustainable and innovative solutions to serve new customer segments.

As parent company, we will continue to support the Marine business through the cycle. We are confident that it has what it takes to ride out the downturn, and emerge stronger and more resilient. With Sembcorp Marine's investments in enhanced capabilities and productivity, we believe it will be in a good position to benefit from the market's recovery.

By 2040, renewables are expected to make up around 35% of the global energy mix. With the growing emphasis on the low-carbon and circular economies and rising demand for sustainable solutions, we are looking to grow our green business lines through innovation.

Your Urban Development business has turned in an impressive contribution in 2017. How do you see the business growing in the future?

The Urban Development business has had a stellar year, with record profits from strong land sales. Aside from India, where it just entered the market in 2017, its performance in all markets – Vietnam, China and Indonesia – has risen.

Over the years, Sembcorp Development has built up a strong franchise in Asia and one of the best brand names in its business. With its strong track record of transforming raw land into modern, vibrant developments, and attracting industries and investment, it is well sought after for its ability to help catalyse economic development, create jobs and create conducive spaces to live, work and play.

Globally, urbanisation and the growth of cities is on the rise. According to the World Bank, by 2045, the world's urban population will increase by 1.5 times to six billion. Governments must move quickly to plan for growth and put in place the services, infrastructure, and housing their expanding urban populations need. Our Urban Development business would be a trusted partner in such an endeavour. With its proven track record, we believe this business has a bright future.

Sustainability features prominently in your new strategy. You've also just set aggressive targets to reduce carbon emission intensity and grow your renewables portfolio. Talk us through why this is a focus area.

Sembcorp has a long-standing commitment to sustainability. Our vision is to be a global company with sustainable businesses that support development, improve the quality of life and deliver long-term value and growth.

Our world is moving towards a low-carbon economy. By 2040, renewables are expected to make up around 35% of the global energy mix. To prepare our businesses for the future, we are targeting to double our current renewable capacity to approximately 4,000 MW by 2022. At the same time, we target to cut our carbon emission intensity by close to 25% by 2022, in line with the 2°C scenario.

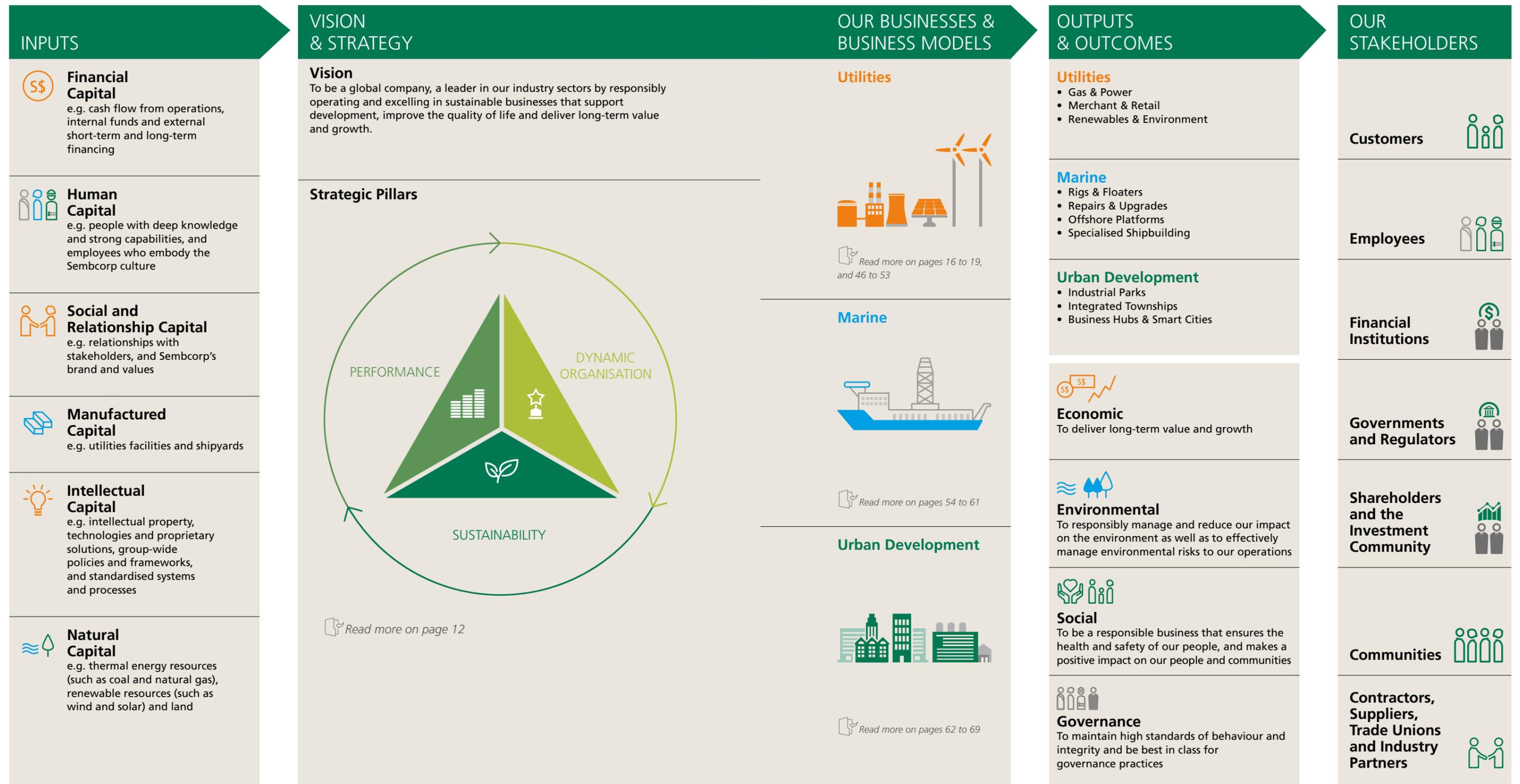
With the growing emphasis on the low-carbon and circular economies and rising demand for sustainable solutions, we are also looking to grow our green business lines through innovation. Our new Renewables & Environment business line will look to grow our renewable energy, water and wastewater, as well as waste-to-resource businesses. In addition, we will also invest in research & development to be at the forefront of providing new cutting-edge energy solutions.

As a responsible corporate, we at Sembcorp acknowledge the role we need to play as agents of change for a more sustainable world. It is our hope that the concrete steps we are taking for a greener business will help us to make our contribution to mankind's shared future, in a more strategic, targeted and effective manner.

Our Value Creation Process

Sembcorp Industries is a leading utilities, marine and urban development group, present across five continents. As an integrated energy player, Sembcorp is poised to benefit from the global energy transition. With a strong track record in developing and developed markets, we provide solutions across the energy and utilities value chain, with a focus on the Gas & Power, Renewables & Environment, and

Merchant & Retail sectors. We have a balanced energy portfolio of over 11,000 megawatts, including thermal power plants, renewable wind and solar power assets, as well as biomass and energy-from-waste facilities. In addition, Sembcorp is a world leader in offshore and marine engineering, as well as an established brand name in urban development.



Our Material Issues

At Sembcorp, we believe in building sustainable businesses that support development, improve the quality of life and deliver long-term value and growth. Through engagement with our stakeholders and our materiality identification and review process, the following issues have been identified to be material to us.

Mitigating the risks and pursuing the opportunities presented by these issues are part and parcel of how we drive success for the Group.

ECONOMIC

[Read more on pages 28 to 69](#)

To deliver long-term value and growth

Capital and Portfolio Management

To apply a holistic, proactive and disciplined approach to the management of our portfolio and capital

Reliability

To ensure asset and service reliability by adopting best practices for the management and maintenance of assets, creating an efficient and cost-effective supply chain and applying sound business continuity management

Innovation

To apply new and improved proven technologies and methodologies which increase efficiency, reduce costs and drive revenue growth

Sustainable Growth

To achieve growth and create value by enhancing existing and developing new income sources

ENVIRONMENTAL

[Read more on pages 90 to 96](#)

To responsibly manage and reduce our impact on the environment as well as to effectively manage environmental risks to our operations

Climate Change

To have a business portfolio that balances the economic expectations of our stakeholders and our businesses' impact on the climate

Local Environmental Protection

To fulfil our duty to protect the environment and conserve resources, while providing competitive and reliable solutions for our stakeholders

Energy and Water Efficiency

To improve energy and water efficiency through good and economically viable environmental practices

SOCIAL

[Read more on pages 97 to 105](#)

To be a responsible business that ensures the health and safety of our people, and makes a positive impact on our people and communities

Health and Safety

To make health and safety management an integral part of everyday business and culture

Our People

To offer a compelling employment experience for our people to develop and excel

Community

To be a responsible business that makes a positive impact on our communities

GOVERNANCE

[Read more on pages 106 to 113](#)

To maintain high standards of behaviour and integrity and be best in class for governance practices

Corporate Governance

To have an effective governance and decision-making structure

Risk Management

To ensure effective identification and management of all material risks

Compliance

To comply with all legal and regulatory requirements

Ethical Business Practices

To ensure we conduct our businesses legally, fairly, honestly and with integrity