



**My goal is to reshape the Group and build a strong, balanced portfolio of businesses that are aligned with market trends and society's demands, support sustainable development and deliver value for our stakeholders.**

**Neil McGregor**  
Group President & CEO

**Since you took over as head of the Sembcorp Group, how has the Group transformed? What are your top priorities as CEO?**

As CEO, my biggest task is to reposition Sembcorp for the future. My goal is to reshape the Group and build a strong, balanced portfolio of businesses that are aligned with market trends and society's demands, support sustainable development and deliver value for our stakeholders. We have outlined our vision to become an integrated energy and urban development company of the future, as well as the region's leading independent renewable energy company.

A year into the announcement of Sembcorp's new Group direction, our strategies have taken shape. However, they will take time to bear fruit, especially given the prolonged offshore and marine downturn.

In the immediate term, my focus continues to be on managing our portfolio for better performance and returns as well as strengthening our balance sheet. We will maintain a disciplined approach to capital management and push on with our divestment programme to recycle capital. To date, we have unlocked cash proceeds of just under S\$200 million. This is close to 40% of the S\$500 million of divestments that we target by 2020.

Internally, our transformation is also well underway. We have brought in new capabilities that Sembcorp needs for the future, such as stronger digital as well as merchant and retail capabilities. We have reorganised our team and operating model for greater flexibility, deepened our bench strength and improved succession planning within the Group. As a company, we have also renewed our purpose and values and made concerted efforts to

rally our employees around our shared objectives. Our people are energised, ready for the challenge, and committed to turn our vision into reality.

**Your Utilities business performed well this year. Tell us more about its efforts to adapt and thrive amid a global energy industry in transition, and how its plan is bearing fruit.**

Decarbonisation, decentralisation, digitalisation and demand disruption have made an indelible mark on the energy sector. The global fuel mix is shifting, with green energy becoming mainstream. Power is being generated and delivered to customers in new ways, and advancements in technology and the falling cost of renewables are changing the face of the industry.

Against this backdrop, Sembcorp's plan to reposition our Utilities business is timely, and absolutely critical to the success of the Group. We aim to develop the business into a leading integrated energy player, focused on the Gas & Power, Renewables & Environment, and Merchant & Retail energy segments. In doing so, we will capitalise on existing capabilities within the business, and build on our deep integration expertise across the energy and utilities value chain.

Already, our strategy is showing results. This year, our Utilities business more than doubled its profit to S\$312 million, on the back of divestment gains and profit growth from the underlying business.

The business has also taken steps to build a mix of capabilities that is highly relevant in today's market. These include solutions for companies, households and countries across the energy and utilities value chain, with enhanced expertise in areas such as renewable energy, behind-the-meter solutions, flexible and fast-response power, and energy storage. This puts us in a good position to seize the opportunities provided by a changing global energy landscape to innovate and grow our business for the long term.

**Despite intense competition in the power market, your Singapore operations have continued as a major profit contributor and have achieved several milestones in 2018. Tell us more about your strategy here.**

It has been an exciting time for our business in Singapore, where the energy and utilities space has gone through a number of changes. As an established player and trusted household name in the country, Sembcorp's strategy is to go where the market is going, seizing opportunities and expanding our capabilities to maintain our edge over the competition.

As part of this, we have been shifting our business closer to the customer. For instance, we now offer distributed power, such as rooftop solar solutions for companies. We have also entered the Open Electricity Market as a power retailer to households.

**Sembcorp's strategy is to go where the market is going, seizing opportunities and expanding our capabilities to maintain our edge over the competition.**

A key focus has been to expand our capabilities to help future-proof our business. The growth of our renewable energy business is a good example. With Singapore ramping up its adoption of solar energy, Sembcorp has built up our team and track record, securing over 120 megawatt peak of projects across more than 1,500 sites. Another case in point is the extension of our capabilities in natural gas. To our well-established piped natural gas business, we have now added liquefied natural gas spot imports. This has allowed us to diversify our gas supply, with more opportunities for optimisation, and to extend our service to a wider range of customers.

Given the integrated nature of our energy and utilities business in Singapore, there may also be scope to strengthen our value proposition with innovative solutions that promote sustainable resource management. We are keen to explore such opportunities, which

could support the country's progress towards a low-carbon and circular economy.

**2018 was a difficult year for Sembcorp Marine. What is your outlook for this business?**

While the outlook for the oil and gas sector has improved somewhat, in the immediate term, the environment for marine and offshore players continues to be highly challenging. Yard volumes remain significantly below peak levels. Competition remains intense and realistically, it will take time before orders see a sustained recovery.

The Marine business has channelled its efforts and investment to areas it views as critical for it to ride out the downturn and strengthen its long-term position. It has diversified to remain relevant in a competitive market. It has retooled, improved its engineering expertise and targeted new customer segments. New capabilities at its Tuas Boulevard Yard have enabled it to take on jobs it could not perform in the past, and stronger engineering abilities have equipped it to offer designs and solutions that can improve customers' project economics.

**We believe in the value and capabilities Sembcorp Marine has built up over more than 50 years, and are committed to protecting this value for our shareholders.**

In addition, the business is committed to managing its cost, including manpower requirements, and optimising its capacity utilisation.

From the Group's perspective, we are taking a long-term view. We recognise that the Marine business and the protracted sectoral downturn it is facing have had an impact on the Group's performance and balance sheet. But at the end of the day, we believe in the value and capabilities Sembcorp Marine has built up over more than 50 years, and are committed to protecting this value for our shareholders.

**Your Urban Development business has come of age and has been contributing well to the Group. Can you talk about its strategy for further growth?**

Sembcorp's Urban Development business adds value to host markets and supports their industrialisation plans, with its broad experience in conceptualising and developing large-scale integrated townships and industrial parks. The Urban Development arm's good performance is also the result of its ability to attract foreign direct investment, which is an important driver of economic growth for developing countries.

As Sembcorp's industrial parks mature and our host markets become more economically advanced, we see more potential for innovation in our projects. For instance, we are now developing high-tech parks and business hubs with enhanced facilities and services to attract high-value investments. This has built up greater breadth in our Urban Development business. We also offer a variety of options for industrial and business space, for lease or sale.

As our projects accelerate development locally, communities have sprung up around them. We have been able to participate in the urbanisation of these areas, with selective investments in residential properties that we either develop ourselves or through joint ventures. Over the years, we have also seen growth in our sale of commercial and residential land to third-party developers.

Moving forward, we see more potential for synergies between our Urban Development and Utilities businesses, in the provision of advanced energy and utilities solutions. The Urban Development business is in a good position to introduce smart utilities initiatives in its projects such as renewable energy technologies, smart metering and sustainable water management. These could help our integrated developments become sustainable, low-carbon and energy-efficient cities of the future. We would be keen to explore the feasibility of incorporating such solutions into our projects.

**Can you share more about your philosophy in investing in technology and your efforts to transform Sembcorp into a more digital organisation?**

Embracing digital technologies is critical if we want to stay ahead of the game. Developments in artificial intelligence (AI), machine learning, cloud computing, the internet of things (IoT), blockchain and robotic process automation, underpinned with cybersecurity, are disrupting most industries, including ours. These technologies are also enabling new business models that offer competitive advantages to early adopters.

Sembcorp is actively building our digital capabilities around four themes: establishing a strong and secure information technology foundation, digitising our business, embedding innovation, and managing the digital journey and change. For example, we have built insight platforms using machine learning and AI to radically improve how we operate and optimise our thermal and renewable assets. These platforms run on an advanced, secure data lake that has over 200,000 IoT sensors streaming real-time operational data from multiple markets.

The majority of our investment in research and development is going towards building intellectual property that will help improve how we maintain and optimise our assets and reduce greenhouse gas emissions in our energy business. For example, we are developing drones and AI to help us maintain our pipelines and equipment – faster and more accurately than the manual checks that are being done today. Some of the initiatives that we are currently driving, such as our work in advanced predictive analytics, are the first of their kind in the energy sector. These could help differentiate us in our industry.

**Tell us more about your sustainability ambitions, and why these are important for Sembcorp?**

I have always believed that the best companies must not only aim to do well, but also to do good.

In 2018, Sembcorp redefined our aspirations as a Group in terms of three sustainability ambitions. Firstly, we aim to enable a low-carbon and circular economy. Secondly, we aspire to empower our people and communities. Thirdly, we commit to embedding responsible business practices throughout our organisation. These three ambitions underpin our purpose, articulate our priorities, and demonstrate how we seek to create value within our business, and for society.

**Embracing digital technologies is critical if we want to stay ahead of the game. These technologies are enabling new business models that offer competitive advantages to early adopters.**

Committing to these sustainability ambitions makes good business sense for Sembcorp. Aligning our goals, activities and services to the needs of society means that we stay relevant. Tightening our management of risks and opportunities on the environmental, social and governance front also puts us in a better position to protect and enhance value for our stakeholders and succeed long-term as a Group.

This is not only the right thing to do for our company, but also for our world.

By 2030, the global population will surpass 8.5 billion. Seven out of every 10 people will live in cities. Demand for energy and water, sustainable infrastructure and environmental solutions will soar, even as climate change and weather disruptions exert greater pressure on our societies and resources. Countries, companies, communities and individuals must take urgent action today to prepare for this eventuality.

Sembcorp is playing our part. We want to be part of the solution, and help secure our collective future. This is part of how we are actively embracing change and enabling a sustainable tomorrow for our company, and for the world.