



LEGAL PROCEEDINGS FOR SEMBCORP'S CHINA UNIT CONCLUDED

- *No further financial impact to the Group***
- *Committed to responsible operations and compliance***

Singapore, February 7, 2020 – Further to its announcements of January 17, 2020 and September 28, 2018, the Group would like to update that legal proceedings in China related to the discharge of off-specification wastewater by its 95%-owned joint venture wastewater treatment company, Sembcorp Nanjing SUIWU (NSS), have concluded following the issue of the final mediation document by the court.

The legal proceedings consisted of a criminal case and a co-related civil case. Under China court rules, both cases were regarded and tried as one case. The courts had earlier fined NSS S\$10 million for the criminal case.

The Group's share of fines and cash settlement for both the criminal and civil claims remains unchanged at a total of S\$54 million. This amount comprises the S\$10 million fine for the criminal case and a S\$44 million settlement for the civil claim, and was fully provided for as at September 30, 2019. There is no further financial impact arising from the conclusion of legal proceedings.

The Group will also be committing to new investments worth approximately S\$45 million over the next four years to develop projects and initiatives to support environmental protection in China. A substantial portion of this amount has been earmarked for upgrading of the facilities for the wastewater treatment business in Jiangsu which is required regardless, to meet new effluent discharge standards coming into force in January 2021. These investments are expected to deliver financial returns.

Apart from the criminal case, the civil case involved a much higher liability which took many months of difficult and sensitive negotiations with the provincial prosecutors. During the entire

period, the Group had sought to maintain confidentiality in order to resolve the civil claim expeditiously and with the lowest quantum possible.

After NSS and the prosecutors in China finally reached agreement on the settlement terms for the civil claim at the end of December 2019, the judicial process in China required publication of those terms for a 30-day period. During this period, members of the public and public interest groups in China may provide feedback on those terms. Any adverse public feedback could have resulted in negotiations being reopened on the settlement terms and such terms being amended to the detriment of NSS.

While fulfilling its disclosure obligations, in determining the information on the NSS legal proceedings to be disclosed during this period, the Group therefore had to balance the interests and disclosure needs of all stakeholders to ensure that legal proceedings are resolved expeditiously under the China legal system and in a manner that minimises the quantum of claims.

The Group again wishes to express its deep regret for the illegal and criminal activities of the NSS employees involved. The Group would like to reiterate that this is an isolated incident and it does not tolerate or condone any illegal activities. The employees have since been charged, tried and sentenced in their individual capacities by the local courts. Following internal investigations and on the evidence of the prosecutors, NSS has terminated the employment of those individuals found guilty. All necessary steps to further strengthen internal controls and processes in NSS as well as in the Group's other water and wastewater treatment plants in China have already been undertaken.

The Group remains confident in the operational viability of its China businesses, as evidenced by the commitment to upgrade its facilities and further invest in environmental projects and initiatives in the country.

The Sembcorp Group continues to be dedicated to providing sustainable solutions to meet growing needs in China and all its markets and remains committed to responsible operations and compliance with all legal and regulatory requirements, including fulfilling its obligations under the Singapore Exchange Listing Rules.