

# Notes to the Financial Statements

Year ended December 31, 2020

## H. Other Disclosures (cont'd)

### H1. Share-based incentive plans (cont'd)

#### Semcorp Industries Performance Share Plan

PSP awards granted have both market-based and non-market-based performance conditions. With the ERCC's approval on the achievement factor for the achievement of the performance targets for the performance period 2017 to 2019 (2019: performance period 2016 to 2018), no performance shares were released via the issuance of treasury shares (2019: nil).

For 2020, the ERCC decided not to grant any performance shares attributed in part to the significant changes to the strategy of the business following the de-merger with Semcorp Marine coupled with the uncertainty in the current pandemic environment. Under these circumstances, it was deemed that there was insufficient clarity during the year to set meaningful and appropriate targets for the management team.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end December 31, 2020, was 7,682,784 (2019: 5,319,353). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 11,524,176 (2019: 7,979,029) performance shares.

#### Semcorp Industries Restricted Share Plan

Of the restricted shares released, 269,972 (2019: 88,983) restricted shares were cash-settled. The remaining restricted shares were released via the issuance of treasury shares.

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2020, was 10,512,748 (2019: 4,010,900). The RSP balances represent 100% of targets achieved, but not released subject to individual performance and fulfilment of service conditions at vesting. The actual release of the awards is a maximum of 10,512,748 (2019: 4,010,900) restricted shares.

Awards for the performance and corporate objectives achieved in 2020 (2019: 2019) will be granted in FY2021 (2019: FY2020).

The fair values of the performance and restricted shares are estimated using a Monte Carlo simulation methodology at the grant dates.

(\$ million)	PSP		RSP	
	Year of Grant		Year of Grant	
	2020	2019	2020	2019
Fair value at measurement date	NA	S\$1.24	S\$1.81	S\$2.44
<b>Assumptions under the Monte Carlo model</b>				
Share price	NA	S\$2.53	S\$1.90	S\$2.54
Expected volatility	NA	22.5%	23.4%	19.8%
Risk-free interest rate	NA	1.9%	0.77%–0.96%	1.9%
Expected dividend	NA	3.2%	3.5%	2.7%

With the ERCC's approval on the achievement factor for performance targets for the performance period 2019 (2019: performance period 2017 to 2018), a total of S\$0.9 million, equivalent to 440,335 (2019: S\$1.2 million, equivalent to 462,048) notional restricted shares, were awarded and paid.

## H. Other Disclosures (cont'd)

### H2. Other financial assets and liabilities

#### Accounting policies

##### Classification and subsequent measurement

###### Financial assets

On initial recognition, a financial asset is classified and measured at: amortised cost; fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

###### Financial liabilities

The Group initially recognises financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group classifies financial liabilities as measured at amortised cost or FVTPL.

###### Equity investments at FVOCI

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect on initial recognition to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. The Group's equity investments are classified as FVOCI. These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

###### Financial assets and liabilities at FVTPL

All other financial assets not classified and measured at amortised costs or FVOCI as described above are measured at FVTPL. This includes derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. A financial liabilities is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial assets and financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

###### Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its balance sheet, but retains either all or substantially all of its risks and rewards of the transferred assets. In these cases, the transferred assets are not recognised.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantively different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including non-cash transferred or liabilities assumed) is recognised in profit or loss.

# Notes to the Financial Statements

Year ended December 31, 2020

## H. Other Disclosures (cont'd)

### H2. Other financial assets and liabilities (cont'd)

(S\$ million)	Note	Assets		Liabilities	
		Current	Non-current	Current	Non-current
<b>2020</b>					
At fair value through other comprehensive income:					
- Equity shares		-	71	-	-
At fair value through profit or loss:					
- Cross currency swaps		-	10	-	-
- Interest rate swaps		-	-	*	*
- Foreign exchange option contracts		*	-	-	-
- Forward foreign exchange contracts		-	-	1	-
- Foreign exchange swap contracts		1	-	-	-
- Fuel oil swaps		-	-	*	*
- Equity shares	(a)	8	-	-	-
- Unit trusts and funds	(b)	90	18	-	-
- Other derivatives		3	2	2	1
		102	30	3	1
Hedge of net investment in foreign operations:					
- Forward foreign exchange contracts		*	4	-	8
		*	4	-	8
Cash flow hedges:					
- Forward foreign exchange contracts		3	-	11	2
- Fuel oil swaps		42	5	24	1
- Interest rate swaps		-	-	-	86
- Cross currency swaps		1	16	-	-
- Commodity contracts		4	-	-	-
- Electricity futures market contracts		*	-	2	-
		50	21	37	89
Fair value hedges:					
- Forward foreign exchange contracts		7	-	*	-
		7	-	*	-
At amortised cost:					
- Long-term fixed deposits		-	124	-	-
<b>Total</b>		<b>159</b>	<b>250</b>	<b>40</b>	<b>98</b>

## H. Other Disclosures (cont'd)

### H2. Other financial assets and liabilities (cont'd)

(S\$ million)	Note	Assets		Liabilities	
		Current	Non-current	Current	Non-current
<b>2019</b>					
At fair value through other comprehensive income:					
- Equity shares		-	87	-	-
At fair value through profit or loss:					
- Cross currency swaps		-	8	-	2
- Interest rate swaps		*	*	1	*
- Foreign exchange option contracts		-	*	-	*
- Forward foreign exchange contracts		3	*	1	-
- Foreign exchange swap contracts		3	-	1	-
- Equity shares	(a)	13	-	-	-
- Unit trusts and funds	(b)	81	12	-	-
		100	20	3	2
Hedge of net investment in foreign operations:					
- Forward foreign exchange contracts		22	-	-	-
		22	-	-	-
Cash flow hedges:					
- Forward foreign exchange contracts		14	10	5	2
- Fuel oil swaps		12	2	33	2
- Interest rate swaps		-	-	5	38
- Cross currency swaps		79	18	-	-
- Commodity contracts		-	-	2	-
- Electricity futures market contracts		*	-	2	*
		105	30	47	42
Fair value hedges:					
- Forward foreign exchange contracts		1	-	-	-
		1	-	-	-
At amortised cost:					
- Long-term fixed deposits		-	129	-	-
<b>Total</b>		<b>228</b>	<b>266</b>	<b>50</b>	<b>44</b>

- Sembcorp Jingmen Water Co. Ltd (SJW) has a disagreement with the local authorities on the treatability of the wastewater from a customer. On December 31, 2019, an administrative decision was issued by the City Construction Bureau in Jingmen, China which allows the local authorities to temporarily take over the operation of SJW for the period from June 28, 2019 to May 28, 2020 and subsequently extended to May 28, 2021. As a result, during this period, the Group is deemed to have lost control of SJW, and SJW's net assets of S\$8 million (2019: S\$13 million) is deconsolidated and recognised as 'other financial assets' accordingly. The net assets as at December 31, 2020 was reduced with the repayment of shareholder's loan.
- Included in unit trusts and funds are amounts of S\$85 million (2019: S\$78 million) pledged to secure loan facilities.
- In 2019, as part of the Group's strategy on portfolio rebalancing, the entire investment in Gallant Venture was sold. The shares were sold at a fair value of S\$63 million at the time of sale. The cumulative loss of S\$4 million is included in fair value reserve.