

# Notes to the Financial Statements

Year ended December 31, 2020

## H. Other Disclosures (cont'd)

### H3. Provisions

#### Accounting policies

A provision is an amount set aside based on reliable estimate to settle a probable legal or constructive obligation from a past event.

#### Key estimates and judgements

Estimates of the Group's obligations arising from contracts or regulations that exist as at balance sheet date may be affected by future events, which cannot be predicted with any certainty. The assumptions and estimates are made based on the management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates.

Certain of the Group's subsidiaries are involved in claims, litigations, land disputes and other regulatory matters in certain countries at year end. Due to the nature of these disputes and matters and also in view of the uncertainty of the outcome, the Group believes that the amount of exposure cannot currently be determinable. Therefore, no impairment, revision of useful or provision for restoration cost, where applicable has been recorded.

#### Provision for restoration cost

The provision recognised represents management's best estimate of the present value of the future costs required. Significant estimates and assumptions are made in determining the amount of restoration provisions. Those estimates and assumptions deal with uncertainties such as: changes to the relevant legal and regulatory framework; the timing, extent and costs required. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provisions recognised are periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the balance sheet by adjusting both the asset and provision. Such changes give rise to a change in future depreciation and interest charges.

#### Discontinued operation

##### Warranty

The provision for warranty is based on estimates from known and expected warranty work and contractual obligations for further work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made.

Movements in provisions are as follows:

(\$ million)	Note	Claims (i)	Restoration costs (ii)	Warranty (iii)	Fines (iv)	Others (v)	Total
<b>Group</b>							
<b>2020</b>							
Balance at January 1		12	105	42	–	17	176
Translation adjustments		*	(1)	*	–	*	(1)
Provisions made during the year		4	5	1	–	9	19
Provisions reversed during the year		(3)	*	(4)	–	–	(7)
Provisions utilised during the year		(1)	(2)	*	–	(1)	(4)
Disposal of subsidiaries		–	–	–	–	(2)	(2)
Distribution of a subsidiary		–	(79)	(39)	–	–	(118)
Unwind of discount on restoration costs	C7	–	1	–	–	–	1
Balance at December 31		12	29	–	–	23	64
Provisions due:							
– within 1 year		12	4	–	–	10	26
– after 1 year but within 5 years		–	–	–	–	13	13
– after 5 years		–	25	–	–	–	25
		12	29	–	–	23	64

## H. Other Disclosures (cont'd)

### H3. Provisions (cont'd)

(\$ million)	Note	Claims	Restoration costs	Warranty	Fines	Others	Total
<b>2019</b>							
Balance at January 1		24	108	58	40	19	249
Translation adjustments		*	(3)	*	(1)	*	(4)
Provisions made during the year		9	5	9	–	9	32
Provisions reversed during the year		(8)	(6)	(24)	–	(2)	(40)
Provisions utilised during the year		(13)	(2)	(1)	(10)	(2)	(28)
Transfer to other payables	(a)	–	–	–	(29)	(7)	(36)
Disposal of subsidiaries		–	–	–	–	*	*
Unwind of discount on restoration costs		–	3	–	–	–	3
Balance at December 31		12	105	42	–	17	176
Provisions due:							
– within 1 year		12	2	15	–	5	34
– after 1 year but within 5 years		–	49	27	–	11	87
– after 5 years		–	54	–	–	1	55
		12	105	42	–	17	176

- a. Following the conclusion of the legal proceedings in China related to the discharge of off-specification wastewater by Sembcorp Nanjing Suiwu Company Limited announced on February 7, 2020, the balance provisions amount of S\$36 million was transferred to current and non-current other payables of S\$21 million and S\$15 million, respectively in 2019.

(\$ million)	Claims (i)	Restoration costs (ii)	Total
<b>Company</b>			
<b>2020</b>			
Balance at January 1	11	10	21
Provisions made during the year	1	3	4
Provisions reversed during the year	(2)	–	(2)
Provisions utilised during the year	(1)	–	(1)
Balance at December 31	9	13	22
Provisions due:			
– within 1 year	9	2	11
– after 5 years	–	11	11
	9	13	22
<b>2019</b>			
Balance at January 1	19	16	35
Provisions made during the year	2	*	2
Provisions reversed during the year	(8)	(6)	(14)
Provisions utilised during the year	(2)	–	(2)
Balance at December 31	11	10	21
Provisions due:			
– within 1 year	11	–	11
– after 5 years	–	10	10
	11	10	21

# Notes to the Financial Statements

Year ended December 31, 2020

## H. Other Disclosures (cont'd)

### H3. Provisions (cont'd)

#### i. Claims

This provision relates to the obligations arising from contractual and commercial arrangements in the Group's and the Company's operations, based on the best estimate of the possible outflow considering both contractual and commercial factors.

#### ii. Restoration costs

Restoration costs relate to cost of dismantling and removing assets and restoring the premises to its original condition as stipulated in the agreements. The liability is expected to be incurred upon fulfilment of restoration obligation or termination of the lease.

#### iii. Warranty

Provision for warranty relates to contracts with contractual warranty terms. The provision for warranty is based on estimates from weighing all possible outcomes by their associated probabilities and estimates made from historical warranty data associated with similar projects.

The non-current portion of the provision for warranty is for contracts with contractual warranty periods that will lapse within 2 to 3 years from the reporting date.

#### iv. Fines

The provision for fines was made relating to an alleged discharge of off-specification wastewater by Sembcorp Nanjing Suifu Company Limited in China. With the proceedings concluded on February 7, 2020, the provision amount was reclassified to other payables in 2019.

#### v. Others

Others include provision for maintenance obligation based on contractual obligations to maintain the infrastructure and equipment to specified levels of serviceability under the service concession agreements; environmental obligations which are expected to be utilised within one year. The amount also includes provision for legal and professional fee, amongst others. These provisions are measured at the best estimate of the expenditure required and timing of outflows, to settle the present obligation at the end of each reporting period.

### H4. Subsequent events

- On February 5, 2021, the Group announced the completion of the divestment of its entire 32% stake in joint venture company Shenzhen Chiwan Sembawang Engineering Co.
- On February 16, 2021, the Group announced that through its subsidiary, Sembcorp Myingyan Power Company Limited, operates a 225-megawatt gas-fired power plant in Mandalay, Myanmar. As of December 31, 2020, the net assets value of this investment was USD57 million and USD230 million of the project's loan remains outstanding and is backed by a corporate guarantee issued by a wholly-owned subsidiary of Sembcorp.

### H5. New or revised accounting standards and interpretations not yet effective

The following new SFRS(I)s, amendments and interpretations of SFRS(I)s are effective for annual periods beginning after January 1, 2020:

#### Applicable to 2021 financial statements

- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16 *Interest Rate Benchmark Reform – Phrase 2*

#### Applicable to 2022 financial statements

- Amendments to SFRS(I) 3 *Reference to the Conceptual Framework*
- Amendments to SFRS(I) 1-16 *Property, Plant and Equipment – Proceeds before intended used*
- Amendments to SFRS(I) 1-37 *Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to SFRS(I) Annual Improvements to SFRS(I)s 2018 - 2022

#### Applicable to 2023 financial statements

- SFRS(I) 17 *Insurance Contracts*
- Amendments to SFRS(I) 1-1 *Classification of Liabilities as Current or Non-current*
- Amendments to SFRS(I) 17 *Insurance Contracts*

#### Mandatory effective date deferred

- Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group does not expect significant impact on the financial statements upon the adoption of these new SFRS(I)s.

## I. Supplementary Information

### 11. Directors and key executives remuneration

(Under SGX-ST Listing Manual requirements)

#### Directors' and key executives' remuneration earned for the year

Summary compensation table for the year ended December 31, 2020

Name of Director	Salary <sup>1</sup> S\$'000	Bonus earned S\$'000	Fair value of share-based compensation granted for the year <sup>2</sup> S\$'000	Directors' fees	
				Cash-based <sup>1</sup> S\$'000	Share-based <sup>3</sup> S\$'000
<b>Payable by Company</b>					
Ang Kong Hua	–	–	–	473	202
Neil McGregor <sup>4</sup>	703	–	–	–	–
Margaret Lui <sup>5</sup>	–	–	–	59	–
Tan Sri Mohd Hassan Marican	–	–	–	105	45
Tham Kui Seng	–	–	–	99	43
Dr Teh Kok Peng	–	–	–	118	51
Ajaib Haridass	–	–	–	114	49
Nicky Tan	–	–	–	108	46
Yap Chee Keong	–	–	–	117	50
Jonathan Asherson OBE	–	–	–	117	50
Dr Josephine Kwa Lay Keng	–	–	–	73	31
Nagi Hamiyeh	–	–	–	69	29
Wong Kim Yin <sup>6</sup>	684	1,496	544	–	–
<b>Payable by Subsidiaries</b>					
Neil McGregor <sup>4</sup>	–	–	–	40	–
Tan Sri Mohd Hassan Marican	–	–	–	420	180
Tham Kui Seng	–	–	–	30	–