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**RESPONSES TO QUESTIONS ON SEMBCORP INDUSTRIES ANNUAL REPORT
2020 FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)**

Singapore, April 16, 2021 – Sembcorp Industries (Sembcorp) would like to thank the Securities Investors Association (Singapore) (SIAS) for their questions on Sembcorp's 2020 Annual Report.

Please refer to Appendix 1 for our responses to the questions raised by SIAS.

Appendix 1

1.	<p>As noted in the message to shareholders, in a year when the pandemic caused unprecedented disruptions to nations, companies and individuals, the group started a new chapter by ushering in new leadership and completing the landmark demerger between Sembcorp Industries and Sembcorp Marine. Mr. Wong Kim Yin was appointed as Group President & CEO of SCI and Director of SCI on 1 July 2020.</p> <p>The group incurred a net loss of \$(997) million for the full year, including fair value loss of \$(970) million recorded following the completion of the distribution-in-specie of the ordinary shares in the capital of Sembcorp Marine and a net loss of \$(184) million for the marine business prior to the demerger.</p> <p>The group also recorded exceptional items of \$(144) million in FY2020.</p> <p>Would the board provide shareholders with greater clarity on the following operational, financial and strategic matters? Specifically:</p>
1(i).	<p>Energy: While the group’s focus is on renewable energy, currently the group still derives 56% of its segmental profit from gas and thermal power (page 17). The group has gross power capacity of 3,218 MW from renewable and 9,481 MW from thermal (page 18). How long will the group’s transition to a renewable-centric operator take? What are the group’s long-term plans for the thermal power plants?</p> <p>Sembcorp aims to transform our portfolio by focusing on growing our renewables and sustainable urban solutions businesses. Over the past three years, we have already grown our global renewable capacity by over 50% to close to 3,300 MW. We are making every effort to accelerate our growth in sustainable solutions.</p> <p>In response to climate change, we have set clear targets as part of our climate change strategy to reduce carbon emission intensity as a Group. Our portfolio going forward will be guided by this aim. However, we believe that thermal energy will continue to play a part as we seek to provide sustainable, competitive and reliable energy for customers. For example, in Singapore, natural gas continues to be a dominant energy source as the cleanest form of fossil fuels.</p>

1(ii).	<p>New markets: Does the group have plans to enter new markets to leverage its expertise in renewable energy? If so, which are the markets that are the most attractive and have good potential?</p> <p>Backed by our strong track record and scale in the region, our strategy has been to focus on deepening our presence in our key markets. Going forward we will continue to focus on these key markets, particularly in Southeast Asia, China and India. For example in a country like Vietnam, where we have a strong track record through our Urban business, we believe we can expand our offer to customers and grow our renewables business. If the right opportunities that make strategic and commercial sense surface in new markets, we will certainly consider them.</p>
1(iii).	<p>Sembcorp Salalah Power and Water Company: Can management provide shareholders with greater clarity on the operational and financial status of Sembcorp Salalah Power and Water Company? The group recognised an impairment of \$(81) million for this Omani investment (page 200).</p> <p>Sembcorp Salalah Power and Water Company (SSPW) is a company listed on the Oman Stock Exchange and the latest published financials can be found on https://www.sembcorpsalalah.com.om/ir/results-and-reports/.</p> <p>For the financial year 2020 (FY2020), SSPW generated revenue of Omani Rial (RO) 71.9 million and net profit of RO18.3 million. The company also had net equity of RO109.3 million as at December 31, 2020. SSPW has performed well operationally and financially, and its FY2020 results was in line with the past.</p> <p>The Group recognised the impairment of S\$81 million in view of the deteriorating market conditions in Oman (with decline in oil prices and the downgrading of credit ratings of the Government of Oman in March and June 2020). The Group's carrying value of SSWP as at December 31, 2020 was S\$162 million.</p>

1(iv).	<p>Negative goodwill: The group recognised negative goodwill of \$17 million as a result of the acquisition of Veolia Singapore from the vendor who was looking to exit the public cleaning and waste management business in Singapore to focus on its core operations. Can management elaborate further on the intangible assets of \$10 million that contributed to the \$17 million in negative goodwill? The group also acquired property, plant and equipment valued at \$26 million as part of the deal (page 193).</p> <p>The S\$10 million intangible assets refer to long-term customer contracts.</p>
1(v).	<p>The group has also written down the inventory of gasoil reserves to net realisable value amounting to a loss of \$(38) million. This excludes the amount of \$(44) million impaired due to the alleged fraud by Hin Leong Trading. Can management elaborate further on the reasons for this impairment on its inventory?</p> <p>The decline in energy prices has significantly reduced the net realisable value (NRV) of the inventory of gasoil reserves in Singapore that is required to fulfil certain regulatory requirements. As at March 31, 2020, the NRV was estimated to be S\$59 million, resulting in a S\$38 million post-tax write-down.</p>
1(vi).	<p>Urban: Can management elaborate further on how it intends to acquire landbank to support the business? The land available for sale has declined steadily from 3,589 hectares in FY2015 to 3,428 hectares in FY2016, to 3,138 hectares in FY2017, to 2,670 hectares in FY2018, to 2,600 hectares in FY2019 and to 2,473 hectares in FY2020.</p> <p>As at December 31, 2020, the Urban business has a remaining saleable landbank of 2,473 hectares. The Urban business has already secured development rights to three projects in Vietnam that will add a further 1,778 hectares to its saleable landbank. These three projects are the VSIP Binh Duong Park III, VSIP Binh Dinh and the Quang Tri Industrial Park. The Urban business continues to search for suitable sites in the region to replenish its landbank.</p>

2.	<p>With the demerger of the marine business, the group retained \$7.73 billion in debt and has total equity of \$3.48 billion. The debt-to-capitalisation ratio is 0.69 times. The debt-to-equity ratio is 2.22 times.</p>
2(i).	<p>Has the board set a limit on the group's debt-to-capitalisation / debt-to-equity?</p> <p>The board and management constantly review our balance sheet ratios so as to maintain an efficient capital structure to facilitate our investment for growth and at the same time, deliver long-term sustainable returns to our shareholders.</p>
2(ii).	<p>What is the debt headroom available to the group to support its strategic growth objectives? The energy and urban segments are both capital-intensive and have long gestation periods.</p> <p>Following the demerger of the marine business, we have reviewed our strategic focus and we aim to transform our portfolio by focusing on growing our renewables and sustainable urban solutions businesses. In doing so, we will continue to find opportunities to divest and free capital from businesses and assets that are non-core to that focus. In addition, at the right time, we will seek opportunities to recycle capital from maturing and stabilised renewable assets. We will also seek to tap and access new sources of funds including green financing that are more aligned with our strategic purpose to complement our available liquid resources. As at December 31, 2020, we have S\$1.0 billion in cash and up to S\$5.0 billion in undrawn committed and uncommitted borrowing facilities.</p>

<p>2(iii).</p>	<p>The group reported a total shareholder return (“TSR”) of 51% in FY2020. The TSR since 2014 has been (15.6)%, (28.8)%, (3.3)%, 8.8%, (14.9)%, (8.4)% and 51% respectively.</p> <p>Based on the reported TSR, a shareholder would have experienced a loss of approximately (25.6)% from FY2014 - FY2020. Does the board / management track the TSR over a longer horizon, such as 3-year, 5-year and 10-year periods?</p> <p>Yes, the board and management tracks TSR over both short-term and long-term periods. Share-based incentive has been a significant portion of senior executives’ total compensation, so as to motivate key management personnel to keep striving for long-term shareholder value. TSR has been one of the performance targets for the share-based incentive, which was disclosed in our annual report under the “Share-based Incentive Plans” section.</p>
<p>2(iv).</p>	<p>Has the board estimated its cost of capital? What is the hurdle rate / ROI used in the board’s approval process for new investments in the energy and urban segments?</p> <p>As disclosed in the past Annual Reports, our cost of capital ranged between 6.2% to 6.5% for FY2017 to FY2019. In FY2020, there was a decline in cost of financing and correspondingly, the cost of capital was below this range.</p> <p>New investment projects are assessed based on a minimum hurdle rate which comprises the expected cost of capital adjusted for specific country risks in relation to the country of investment. Project specific risk premiums are also accorded to the minimum hurdle rate depending on the complexity of the project, certainty of cash flows amongst other execution risk considerations. We strive to achieve realised returns in excess of the minimum hurdle rate.</p>
<p>2(v).</p>	<p>What guidance has the board given to management to ensure that new projects, when entered into, generate a return that is commensurate with the level of risks taken?</p> <p>Please refer to our response in 2(iv).</p>

3.	<p>As noted in the chairman and CEO’s statement, Tan Sri Mohd Hassan Marican, Dr Teh Kok Peng and Jonathan Asherson OBE would be retiring from the board at the forthcoming annual general meeting (page 5). Tan Sri Mohd Hassan Marican, Dr Teh Kok Peng and Jonathan Asherson OBE were each first appointed in June 2010, October 2012 and July 2017 respectively (page 54).</p>
3(i).	<p>Would the director / company help shareholders understand the reason(s) for Mr Jonathan Asherson OBE to not seek his re-election? Mr Jonathan Asherson OBE was first appointed to the board on 17 June 2017 and reappointed at the AGM held on 20 April 2018.</p> <p>Jonathan Asherson decided not to seek re-election in order to spend more time in the United Kingdom. However, Sembcorp will be able to leverage on his experience and network as he will be serving in an advisory capacity as non-executive chairman of Sembcorp Energy UK.</p>
3(ii).	<p>As noted in the corporate governance report, and not considering Tan Sri Mohd Hassan who will be retiring, Mr Ang Kong Hua and Mr Tham Kui Seng have each served on the board for more than nine years.</p> <p>Mr Ang and Mr Tham were each first appointed on 26 February 2010 and 1 June 2011 respectively. The board has stated that, after a rigorous and thorough review, the nominating committee (NC) recommended to the board that Mr Ang and Mr Tham shall remain independent (page 60) and the board concurred with the NC’s recommendation.</p> <p>Mr Ang and Mr Tham (including Tan Sri Mohd Hassan) have recused themselves from such discussion and decision-making.</p> <p>In FY2020, the NC comprises Mr Ang Kong Hua (chairman), Tan Sri Mohd Hassan Marican and Mr Nicky Tan Ng Kuang. Mr Nagi Hamiyeh was only appointed on 22 February 2021 (page 228).</p> <p>Would the NC help shareholders understand what entails a “rigorous and thorough review”?</p> <p>Sembcorp follows an established process to determine if a director is independent. All directors are required to do a self-assessment, using a set of criteria in accordance with the Corporate Governance Code and confirm their independence. The NC assesses the independent status of the director based</p>

	<p>on the director's performance evaluation with a focus on assessing the director's independent thinking and objectivity as well as the demonstration through the course of their tenure of the ability to maintain strong principles. After NC's review, the recommendation would be tabled to the board for endorsement.</p> <p>With regard to Mr Ang and Mr Tham, the board has observed that since the start of their respective tenures, they have shown strong independence of character and judgement in the discharge of their duties as directors. They have accumulated deep knowledge of the business and have made valuable contributions to the board, particularly to the management team, and especially during Sembcorp's ongoing transformation journey. Therefore the board has concurred with the NC's recommendation that Mr Ang and Mr Tham shall remain independent. The matter would be tabled at the AGM for approval in April 2021.</p>
3(iii)	<p>Can the NC further clarify if the rigorous and thorough review on the long tenured directors was carried out by the other "non conflicted" NC member since Mr Ang, Tan Sri Mohd Hassan and Mr Tham have recused themselves from such discussion and decision-making?</p> <p>Mr Ang and Mr Tham recused themselves from their own review. The review was conducted by other NC members and the board. The NC's recommendation was unanimously approved by the board.</p>
3(iv).	<p>The chairman and CEO in their statement to shareholders had also said that the group started a new chapter in its history by ushering in new leadership.</p> <p>Can the NC elaborate further on the progressive renewal of the board, including the succession plans for the chairman (Provision 4.1 of the Code of Corporate Governance 2018)?</p> <p>In 2020, Nagi Hamiyeh and Wong Kim Yin joined the board while Neil McGregor and Margaret Lui retired from our board. Lim Ming Yan joined the board in January this year and at the forthcoming AGM, Tan Sri Mohd Hassan Marican, Dr Teh Kok Peng and Jonathan Asherson OBE will be retiring from our board.</p> <p>The NC seeks to refresh board membership progressively and in an orderly manner. Annually, the NC reviews the composition of the board, tenure of directors, experience and contribution and plans for succession as well as the</p>

	<p>renewal of board members including for the Chairman. The NC will carefully manage the board composition to ensure an ongoing balance between preserving continuity, retaining experience and institutional knowledge while refreshing the board to match the pace of change in the industry.</p>
<p>3(v).</p>	<p>Separately, the company has stated (page 57) that board and board committee meetings, as well as annual general meetings (AGMs) are scheduled in consultation with the directors before the start of each year, with the aim of achieving full attendance for all meetings. Directors who are unable to attend in-person are allowed to participate remotely through voice calls or video conferencing.</p> <p>From FY2016, Mr Nicky Tan missed one board meeting a year in 4 out of the 5 years, missed one ExCo meeting a year in 2 out of the 5 years, missed one ERCC meeting a year in 2 out of the 4 years and he missed the only NC meeting held in 2020. Although the director could not attend the meetings, the company has stated that Mr Tan had conveyed his views / comments for consideration prior to the meetings.</p> <p>Can the company help shareholders understand if there were extenuating circumstances that led the said director to miss meetings in the past 5 financial years?</p> <p>Mr Tan has attended more than 90% of all board and committee meetings during the last 5 years. He has contributed much to the company and served his role well. Every effort was made to attend the meetings in-person or to participate remotely unless it was not feasible given the circumstances. Where he could not attend meetings, he would seek prior excuse from the Chairman, and made sure that his comments and feedback on the agenda items were sent to the company.</p>
<p>3(vi).</p>	<p>Can the company confirm that Mr Tan had not participated remotely through voice calls or video conferencing?</p> <p>Mr Tan had not participated remotely through voice calls or video conferencing for the meetings in which he was marked as absent.</p>

3(vii).	How can the company, the company secretary and the directors work better together to meet the goal of achieving full attendance for all meetings? All meetings are scheduled in consultation with the directors before the start of each year, with the aim of achieving full attendance for all meetings.
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