

SEMBCORP INDUSTRIES 23RD ANNUAL GENERAL MEETING

- Responses to substantial and relevant questions

Singapore, April 16, 2021 – Sembcorp Industries (Sembcorp) would like to thank shareholders for submitting their questions in advance of our 23rd Annual General Meeting (AGM) to be convened and held by way of electronic means on April 22, 2021 at 10.00 am (Singapore time).

We have reviewed the questions received and have set out our responses to the substantial and relevant questions through the following common themes.

- (i) The Energy business
- (ii) Others

Please refer to our responses as set out in Appendix 1.

Appendix 1

Energy	
Renewables	
1.	<p>It was stated in the 2020 annual report that there was low wind resource in China and India, where most of the Group’s wind assets are. What is the cause of the low wind resource and is it expected to persist? How do you mitigate that with due diligence?</p> <p>Wind is a natural resource that will have variability. To mitigate this risk, in selection of sites prior to investment, we would perform wind resource and energy yield assessments based on weather history data sets, wind mast data samples and satellite data spanning 20 to 25 years. Having a diversified portfolio across locations and countries also helps to mitigate weather-related risks.</p>
Singapore	
2.	<p>Kindly provide more details on the plan to replace your Singapore power generation asset, in particular the timeline and the financial impact on the Singapore energy operation.</p> <p>As an investor, we regularly assess our position, and develop options based on market conditions. In the case of Singapore, the situation is fluid. In particular, regulation continues to evolve.</p> <p>Our investment will be guided by our objective to focus on delivering sustainable solutions and the country’s goals to use cleaner energy and improve energy efficiency to lower carbon footprint.</p>
3.	<p>Could you update us on the status of the deal to supply solar power to support Facebook’s Singapore data centre?</p> <p>As Singapore’s leading solar energy player, Sembcorp is best positioned to serve companies who display strong commitments towards the sustainability agenda. Facebook is amongst the many such customers we engage with regularly and we are currently providing locally-sourced renewable power to support Facebook’s Singapore operations.</p>

4.	<p>Does Sembcorp have plans to play a vital role in planning and implementing Electric Vehicles (EV) infrastructure across Singapore and Southeast Asia?</p> <p>With the largest solar capacity in Singapore and established track record as a utility player, Sembcorp is well-positioned to supply green energy to EV users. We see the rise of the EV industry in Singapore as a positive development for Sembcorp's energy business.</p>
5.	<p>Can we expect the solar power portfolio in Singapore to start contributing materially to earnings?</p> <p>We expect about 175MWp of solar energy to come on stream in Singapore this year, bringing total operational capacity to 298MWp. We expect a further 64MWp to come on stream after 2021. While we do not expect earnings contribution to be material, it will support us in providing a diversified and greener power portfolio for consumers in Singapore.</p> <p>Together with the rest of our renewables portfolio in the rest of the world, our renewables portfolio contributed 17% to Group net earnings before exceptional items (continuing operations) in 2020 and we expect that to continue to grow at a fast pace.</p>
6.	<p>Are there plans to build floating solar panels farms in Singapore?</p> <p>In 2020, Sembcorp secured a contract to design, build and operate a 60MWp floating solar photovoltaic (PV) system on Tengeh Reservoir. When fully operational in 2021, this project will be one of the world's largest inland floating solar PV systems. We will build upon our track record and experience across rooftop, floating and ground-mounted solar projects and pursue solar opportunities in Singapore. We are committed to pursuing projects that deliver clean energy and support the global energy transition.</p>

Myanmar	
7.	<p>With reference to Sembcorp’s announcement on Feb 16, 2021 “Sembcorp Updates on Its Investments in Myanmar”, Sembcorp through its subsidiary, Sembcorp Myingyan Power Company Limited, operates a 225-megawatt gas-fired power plant in Mandalay, Myanmar. The plant commenced full commercial operation in October 2018.</p> <p>As of December 31, 2020, the net book value of the facility was US\$57 million and US\$230 million of the project’s loan remains outstanding. The outstanding loan is backed by a corporate guarantee issued by Sembcorp Utilities (a wholly-owned subsidiary of Sembcorp).</p> <p>Given the recent developments in Myanmar, are there insurance policies in place? How much income has Sembcorp generated from Myingyan power plant since its commercial operation date and is there a risk of payment default?</p> <p>There is political risk insurance in place for our equity investment in the power plant in Myanmar. However, claims can only be made upon the occurrence of coverage triggers in accordance with the terms under the political risk guarantee contract.</p> <p>In our financial disclosures, income contribution from the Myanmar power plant is reported under the region “Rest of Southeast Asia”. We have not disclosed the breakdown of contribution from the power plant in Myanmar. We continue to receive payments for the power we are supplying.</p>
8.	<p>Why did Sembcorp not pursue a limited recourse loan for Sembcorp Myingyan Power Company Limited?</p> <p>The project financing for Myanmar is structured and intended as a non-recourse project financing loan. However, due to certain condition precedents relating to the project finance that have yet to be satisfied, a corporate guarantee is currently in place.</p>

9.	<p>Is there a risk of the lenders calling back the loans for Sembcorp Myingyan Power Company Limited in view of current situation in Myanmar? If so, what will be the financial impact?</p> <p>So far, there have not been any indications or trigger events that would entitle any of the lenders to call back their loans. In the event any of the loans are recalled, the company will repay with existing cash or refinance them with alternate funding facilities.</p>
India	
10.	<p>Trade receivables payment in India seems to be slow. How does the company ensure that payments are made and expedited?</p> <p>We have letters of credit in place to secure certain receivables, and pursue collections proactively with our customers. We have received payments as part of the Government of India's Atmanirbhar Bharat liquidity support scheme where loans were extended to distribution companies to clear their dues owed to power generating companies. In cases of delayed payments, we receive late payment surcharges as per contracted terms. We have not experienced any payment defaults from the distribution companies, most of whom are government-owned sovereign entities.</p>
11.	<p>Are there plans to list the India Energy business to reduce the Group's gearing and strengthen the balance sheet?</p> <p>As an investor seeking value, we regularly assess our position, and develop options based on market conditions. Considering the prevailing market and the status of our business, there are no immediate plans to list the India Energy business.</p>

Others	
12.	<p>What are the company’s growth aspirations and initiatives? Will there be greater participation in overseas projects?</p> <p>Sembcorp’s vision is to be a leading provider of sustainable solutions. We aim to transform our portfolio by focusing on growing our renewables and sustainable urban solutions businesses.</p> <p>We will continue to focus on overseas growth to complement our leading market position in Singapore. Sembcorp is today Singapore’s largest home-grown renewable energy player, operating close to 3,300MW of wind, solar and energy storage assets across India, China, Southeast Asia and the United Kingdom. Meanwhile, our Urban business’ projects are strategically located across Vietnam, China and Indonesia. We are well-placed to serve and grow in our core markets across Asia, where population growth is driving rising demand for sustainable solutions that enable rapid industrialisation, urbanisation and electrification.</p>
13.	<p>Please explain why expansion capital expenditure is included when calculating Free Cash Flow for the company in Sembcorp’s financial presentation.</p> <p>When presenting Free Cash Flow, expansion capital expenditure is included so as to give an indication of the cash generated by the company before its discretionary spending on growth. This will give our investors a clearer view of the cashflow generation ability of our businesses on a “business-as-usual” basis and the availability of those cashflows for growth investments, debt service and dividends. The figures for the expansion capex is disclosed as a separate line for transparency.</p>

14.	The Group intends to continue investing towards building a greener portfolio. How does the Group plan to finance this expansion? We will continue to actively manage and transit our business and asset portfolio towards a greater focus on renewables and sustainable urban development. 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.
15.	What is the group's dividend policy following the demerger with Sembcorp Marine? Following the demerger, we have reviewed our strategic focus and we aim to transform our portfolio towards a greener future by focusing on driving growth in our renewables and sustainable urban solutions businesses. In doing so, we continue to aim to balance investing for growth, while ensuring an efficient capital structure so as to deliver long-term sustainable cash returns to the shareholders. In light of that, the company will strive to provide consistent and sustainable ordinary dividend payments to our shareholders, and the practice is to consider declaring dividends on a biannual basis.

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