



Green Financing Framework

Sembcorp Industries

May 2021



Introduction

Sembcorp Industries (Sembcorp) is a leading energy and urban solutions provider, driven by our purpose to do good and play our part in building a sustainable future.

Leveraging our sector expertise and global track record, Sembcorp delivers innovative energy and urban solutions that support the energy transition and sustainable development. By focusing on growing our renewables and integrated urban solutions businesses, we aim to transform our portfolio towards a greener future and be a leading provider of sustainable solutions. Sembcorp has a global energy portfolio and a proven track record of transforming raw land into sustainable urban developments across Asia.

Sembcorp is listed on the main board of the Singapore Exchange.

Sembcorp's Approach to Sustainability

Sustainability is central to Sembcorp's purpose and strategy. We believe we must be part of the sustainable development agenda, and have a responsibility to our stakeholders to provide solutions that create value and positive impact for society. By meeting the needs of society, while managing our material environmental, social and governance (ESG) risks and opportunities, we believe that we will succeed as a business and provide our shareholders a sustainable return.

Sembcorp's sustainability framework articulates three ambitions for the future. We aim to:

- 1) Enable a low-carbon and circular economy
- 2) Empower people and communities
- 3) Embed responsible business practices

OUR PURPOSE

Sembcorp's purpose and passion is to do good and play our part in building a sustainable future. Our vision is to be a leading provider of sustainable solutions - supporting development and creating value for our stakeholders and communities.



Responding to climate change is central to Sembcorp's strategy

A growing renewables portfolio

The world is rapidly moving towards a low-carbon economy, creating significant disruption, risks and opportunities. Sembcorp understands it has a responsibility to respond to climate change, and we have articulated our aim to grow our renewables portfolio, reduce our emissions intensity and become a regional leader in this sector.

We were the first Singaporean energy company to launch a comprehensive climate change strategy in 2018. The strategy sets out our approach to managing risks and opportunities arising from climate change and the global energy transition, and lays out substantive targets to reduce emissions intensity and grow renewables capacity.

Sembcorp is a signatory to the United Nations Global Compact (UNGC), a supporter of the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD) and Carbon Pricing Leadership Coalition (CPLC).

Green Financing Framework

We believe that to limit global warming, the transformation of the world's energy systems towards low-carbon is key. To demonstrate our commitment to a more sustainable future and drive renewable energy investments across our markets, Sembcorp has developed this Green Financing Framework.

The Sembcorp Green Financing Framework (Framework) outlines the criteria and guidelines for allocating the proceeds from the Group's Green Finance Transactions (GFTs). The Framework supports investment in renewable energy projects and projects that enables a low-carbon future, encourages the growth of GFTs in our projects globally, and demonstrates commitment to our long-term strategy focused on sustainability. The Framework is aligned with the relevant international market standards and guidelines listed below, collectively referred to as "Principles":

- Climate Bonds Standard by Climate Bonds Initiative (CBI)
- Green Bond Principles by the International Capital Market Association (ICMA)
- Green Loan Principles by the Loan Market Association, the Asia Pacific Loan Market Association and the Loan Syndications and Trading Association
- ASEAN Green Bond Standards by the ASEAN Capital Market Forum (ACMF)

The Framework has the following four core components:

- 1) Use of proceeds
- 2) Process for project evaluation and selection
- 3) Management of proceeds
- 4) Reporting

Sembcorp intends to enter into multiple GFTs under this Framework, including but not limited to the products listed below:

- Green bonds / notes
- Green perpetual securities
- Green loans

For the avoidance of doubt, the GFTs may be in any currency, tenor or with other terms and conditions, including covenants, arising from the Group’s financing strategy as well as the outcome of the commercial discussions between the Group and its lenders and investors. The GFTs may also be undertaken by any subsidiary of the Group.

1.1 Use of proceeds

The net proceeds raised from the GFTs (Net Proceeds) will be used exclusively to finance or refinance, in whole or in part, new or existing projects which falls in the Eligible Green Projects list in Table 1. The GFTs from CBI certified green bonds or loans will be used to finance or refinance only Eligible Green Projects that fall under investment areas listed in CBI taxonomy and meet CBI sector specific technical criteria (Eligibility Criteria).

Sembcorp aims to allocate all Net Proceeds within 24 months from the issuance of each GFT. We are committed to ensuring that the total outstanding value of GFTs issued is always covered by the value of its selected Eligible Green Projects assets.

Eligibility criteria for green projects

Table 1: List of Eligible Green Projects

Eligible Green Projects Category	Eligibility Criteria
Renewable Energy	Generation facilities, supply chain facilities, transmission and supporting infrastructure <ul style="list-style-type: none"> • Wind Energy (onshore and offshore) • Solar Energy (onshore and offshore) • Geothermal Energy • Hydropower¹
	<ul style="list-style-type: none"> • Bio-energy
Energy Storage	<ul style="list-style-type: none"> • Energy storage assets and facilities¹

¹ The Sector Criteria by CBI is under development as of date of the Framework publication

All Eligible Green Projects should provide clear environmental benefits and fall into one of the Eligible Green Projects Categories and Eligibility Criteria as mentioned in Table 1.

Net Proceeds will not be used for fossil-fuel related projects or investments.

1.2 Process for project evaluation and selection

Project evaluation and selection is a key process in ensuring that the projects financed by the GFTs meet the Eligibility Criteria.

The Group Treasury team will nominate Eligible Green Project(s) (Nominated Projects). The Group Sustainability team (together with relevant subject experts, where necessary) will review the Nominated Project(s)'s conformance to the Eligibility Projects Category and Criteria in Table 1. The prioritised projects will be presented by the Group Treasury and Group Sustainability teams to Sembcorp's Green Financing Committee for validation and approval on the Nominated Projects.

The Green Financing Committee comprises the Group Chief Financial Officer (Chair), Head of Group Sustainability and Head of Group Treasury.

This Committee will meet at least once a year to:

- Validate compliance of Nominated Project(s) with the Green Financing Framework
- Validate update reports to investors
- Approve updates to the Framework (where necessary)

1.3 Management of proceeds

Allocation of GFT proceeds will be tagged using Sembcorp's Treasury Management System. A register (Green Project Register), managed by Group Treasury, will be set up to track the use of proceeds. Information captured in the Green Project Register includes:

- 1) Net Proceeds from GFTs;
- 2) Net Proceeds earmarked and / or allocated to Nominated Projects; and
- 3) Value of Nominated Projects (for existing assets) or estimated project value (for projects under development / construction)

Any unallocated GFT proceeds will be temporarily invested in cash or cash equivalent instruments as permitted under Sembcorp's Group Treasury Risk Management Policy until it is used to finance the Nominated Projects. All GFT proceeds will be allocated to Nominated Projects within 24 months of issuance of the GFT.

1.4 Reporting

Sembcorp is committed to transparency in reporting on its GFTs.

We will make the following information, but not limited to, on GFTs available on its website and update it at least annually over the period of the GFTs still outstanding:

a) Allocation reporting

- List and details of Nominated Projects to which Net Proceeds have been allocated
- Total amount of proceeds allocated to Nominated Projects
- Share of Net Proceeds used for financing and refinancing of Nominated Projects
- Unallocated amount, if any (in accordance with the management of proceeds as set out in paragraph 1.3 above)

b) Eligibility reporting

- Confirmation that Nominated Projects are in conformance with the Framework and Eligibility Criteria
- Details of environmental characteristics of the Nominated Projects as per the Eligibility Criteria

c) Impact reporting

We will provide qualitative and / or quantitative performance indicators along with methods and key underlying assumptions used in deriving the performance indicators for expected or actual outcomes from Nominated Projects (where possible and relevant). Below are the examples of impact indicators that may be reported:

Table 2: Environmental Impact Indicators

Eligible Green Projects Category	Environmental Impact Indicators (not limited to)
Renewable Energy	<ul style="list-style-type: none">• Renewable energy installation capacity (MW)• Renewable energy generation (MWh)• Annual GHG emissions reduced/avoided (tCO₂e)
Energy Storage	<ul style="list-style-type: none">• Storage capacity (MW)

Subject to the nature of Nominated Projects and availability of information, the Group will look to utilise the impact reporting guidelines as detailed within the Climate Bond Standard.

External Review

Framework review

The Framework has been reviewed and assured by EY, a Climate Bonds Initiative-approved verifier. The assurance report is publicly available on our website (<https://www.sembcorp.com/en/investor-relations>).

GFTs verification

Pre-issuance: Sembcorp will engage a CBI-approved verifier under the CBI certification programme, to provide a Verifiers' Report for the GFTs' conformance with pre-issuance requirements of the Climate Bond Standard.

Post-issuance: Sembcorp will continue to engage a CBI-approved verifier to provide the Verifiers' Report for the GFTs' conformance with post-issuance requirements of the Climate Bond Standard.

Disclaimer

This Green Financing Framework is for information purposes only. Unless specifically referred to in an offering document, this Green Financing Framework cannot be relied upon in connection with, and does not constitute or form part of, any offer to sell or offer to buy securities of Sembcorp (including any subsidiary of Sembcorp).



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