



Second Party Opinion

## **SECOND PARTY OPINION**

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# **SEMBCORP INDUSTRIES LIMITED SUSTAINABLE FINANCING FRAMEWORK**

**Prepared by:** DNV Business Assurance Singapore Pte. Ltd

**Location:** Singapore

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### Disclaimer

Our assessment relies on the premise that the data and information provided by Sembcorp to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied as per scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement.

### Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct<sup>1</sup> during the assessment and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of statements or data included in Sembcorp’s Sustainable Financing Framework except for this Statement. DNV maintains complete impartiality toward stakeholders interviewed during the assessment process.

<sup>1</sup> DNV Code of Conduct is available from DNV website ([www.dnv.com](http://www.dnv.com))

## DNV'S INDEPENDENT ASSESSMENT

### SCOPE AND OBJECTIVES

Sembcorp Industries Limited ("Sembcorp/transacting entity") is a Singapore headquartered leading energy and urban solutions player listed on the Mainboard of Singapore Stock Exchange.

Sembcorp was the first Singapore energy company to launch a comprehensive climate change strategy in 2018. As part of its strategic transformation plan, a Climate Action Plan 2021 has been drawn up to demonstrate its commitment to a low-carbon economy. In addition to the 2025 target to reduce GHG emissions intensity to 0.40 tCO<sub>2</sub>e/MWh, Sembcorp has also made the following commitments.

- By 2030, Sembcorp aims to reduce absolute GHG emissions to 2.7 million tCO<sub>2</sub>e
- By 2050, Sembcorp aims to deliver net-zero emissions
- Sembcorp commits to no new coal-fired energy asset investments

Sembcorp is committed to the UNSDGs and have adopted SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action) as their priority SDGs.

Sembcorp is in a transformation journey in greening the portfolio from brown in pursuit to support global energy transition and sustainable development. As part of demonstrating the strategic transformation plan commitment to stakeholders, Sembcorp believes that it is important to integrate sustainability across the financing tools of the company. With the keen intent to undertake sustainability-linked transactions, Sembcorp has developed a Sustainable Financing Framework (SFF/Framework) in August 2021. The Sembcorp Sustainable Financing Framework (SFF) outlines the Key Performance Indicators and Sustainability Performance Targets for Sembcorp's Sustainable-Linked Transactions (SLTs). Sembcorp intends to enter multiple Sustainability Linked Transactions (SLTs) under this SFF, including but not limited to the products listed below:

- Sustainability-Linked Bonds (SLBs)
- Sustainability-Linked Loans (SLLs)
- or any other Sustainability-Linked instruments (e.g., commercial paper, derivative instruments or any other form of financial instruments available).

The KPIs chosen at Group level are as below:

- KPI 1 – GHG emissions intensity (Scope 1 and 2): Track performance against Sembcorp's 2025 emissions intensity target.
- KPI 2 – GHG absolute emissions (Scope 1 and 2): Measure Sembcorp's path to significantly reducing GHG emissions by 2030 & delivering net-zero by 2050.
- KPI 3 – Gross installed renewable energy capacity: Supports KPI 1, Climate Action Plan 2021 and strategic plan to transform the portfolio from brown to green.

Sembcorp has linked the Sustainability Performance Targets ("SPTs")

- **Emissions reduction:**  
Target to reduce GHG emissions intensity to 0.40tCO<sub>2</sub>e/MWh by 2025. Also target to reduce absolute GHG emissions to 2.7 million tCO<sub>2</sub>e by 2030.
- **Renewable growth:**  
Target to grow gross installed renewable energy capacity to 10GW by 2025.

DNV Business Assurance Singapore Pte. Ltd. ("DNV") has been commissioned by Sembcorp to review the SFF and provide a Second Party Opinion on the alignment of the SFF with the Sustainability Linked Bond Principles 2020 (SLBP) and Sustainability Linked Loan Principles (SLLP) 2021. Our methodology to achieve this is described under 'Work Undertaken' below. We were not commissioned to provide independent assurance or other audit activities.

No assurance is provided regarding the financial performance of any Loan/Bond/instrument ('instrument'), the value of any investments, or the long term environmental & social benefits of the transaction. Our objective has been to provide an assessment that the SFF has met the criteria established on the basis set out below.

## RESPONSIBILITIES OF THE MANAGEMENT OF SEMBCORP AND DNV

The management of Sembcorp has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform Sembcorp management and other interested stakeholders in the SFF as to whether the SFF is aligned with SLLP and SLBP. In our work we have relied on the information and the facts presented to us by Sembcorp. DNV is not responsible for any aspect of the nominated assets / transactions referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by Sembcorp's management and used as a basis for this assessment were not correct or complete.

## BASIS OF DNV'S OPINION

We have adapted our assessment methodology to create the Sembcorp Sustainable Financing Framework Eligibility Assessment Protocol ("Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion.

As per our Protocol, the criteria against which the SFF has been reviewed are grouped under the five components as below, taking into consideration the combined criterion of both SLLP and SLBP.

- **Principle One: Selection of Key Performance Indicators (KPIs).** The transacting entity/Sembcorp should clearly communicate its overall sustainability objectives, as set out in its sustainability strategy, and how these relate to its proposed SPTs. The KPI should be reliable, material to the Borrower's core sustainability and business strategy, address relevant ESG challenges of the industry sector and be under management control.
- **Principle Two: Calibration of Sustainability Performance Targets (SPTs).** The SPTs should be ambitious, meaningful and realistic. The target setting should be done in good faith and based on a sustainability improvement in relation to a predetermined performance target benchmark.
- **Principle Three: Instrument's Characteristics.** The instrument will need to include a financial and/or structural impact depending on whether the selected KPIs reach (or not) the predefined SPTs. The instrument's documentation needs to require the definitions of the KPI(s) and SPT(s) and the potential variation of the instrument's financial and/or structural characteristics. Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner, should be explained.

- **Principle Four: Reporting.** The transacting entity should publish and keep readily available and easily accessible up to date information on the performance of the selected KPI(s), as well as a verification assurance report (see Principle 5) outlining the performance against the SPTs and the related impact and timing of such impact on the instrument's financial and/or structural characteristics, with such information to be provided to those institutions participating in the instruments or to investors participating in the instrument at least once per annum.
- **Principle Five: Verification (Post-issuance).** The transacting entity/Sembcorp should have its performance against its SPTs independently verified by a qualified external reviewer with relevant expertise, at least once per annum. The verification of the performance against the SPTs should be made publicly available.

## WORK UNDERTAKEN

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by Sembcorp in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of an Sembcorp-specific Protocol, adapted to the purpose of the SFF, as described above and in Schedule 2 to this Assessment;
- Assessment of documentary evidence provided by Sembcorp on the SFF and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Review of Sembcorp's materials and websites;
- Discussions with Sembcorp management, and review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

## FINDINGS AND DNV'S OPINION

DNV's findings on the alignment of the SFF with SLLP and SLBP are listed below:

- 1. Principle One: Selection of Key Performance Indicators (KPIs).** In line with its strategic plan to transform its portfolio from brown to green and key pillar of their sustainability framework i.e. enabling low carbon and circular economy, Sembcorp has chosen emissions reduction and renewable capacity additions in the short term (amongst many material ESG topics that are of interest to them) as the thrust area for this decade. DNV confirms that Sembcorp's KPIs (Group GHG Emissions Intensity and GHG Emissions Targets for Scope 1 and 2; Renewable Energy Targets) are core, relevant, material and consistent with the company's overarching sustainability position and strategy. The rationale and process for KPI selection for the purposes of this SFF (being deemed most material at this point in time to sustain growth and revenues in its venture towards clean energy generation), as well as its definition, measurability and verifiability, are deemed to be robust, reliable.
- 2. Principle Two: Calibration of Sustainability Performance Targets (SPTs).** DNV concludes that the SPTs are meaningful and relevant in the context of Sembcorp's broader sustainability and business strategy and represent a material improvement over a predefined timeline. DNV concludes that Sembcorp's targets of GHG emissions intensity of 0.40 tCO<sub>2</sub>e/MWh, 10 GW renewable energy capacity by 2025 and reduction of absolute emissions at Group level to 2.7 million tCO<sub>2</sub>e by 2030 are ambitious and deemed to go beyond what is considered 'business-as-usual'. DNV has also reviewed the credibility of Sembcorp's strategy to achieve the SPTs by reviewing the planned development and concludes that SPTs set for the purposes of the SFF are viable and possible to meet during the instruments' term.
- 3. Principle Three: Instruments' Characteristics.** DNV reviewed the disclosures related to characteristics stated in the Framework and in our opinion the financial characteristics of the instruments to be issued under the Framework that could be impacted based on KPI performance under SPTs, are in line with the SLLP and SLBP. This impact includes, but is not limited to, interest rate adjustment for both discount and premium thresholds. Sembcorp is aware and has confirmed that specific security documentation (will detail more specifics and may contain premium and discounts thresholds) for the specific instruments issued under the Framework will contain relevant target observation dates for specified trigger events.
- 4. Principle Four: Reporting.** DNV concludes that the Framework includes the required information on annual reporting of Sembcorp's annual performance including strategy, management approach and measurement and monitoring mechanism including chosen standards for reporting and meets the requirement as outlined in the SLLP and SLBP. Sembcorp confirms that KPI performance will be reported on an annual basis.
- 5. Principle Five: Verification.** DNV confirms that Sembcorp will have its performance against the SPTs independently verified annually by an independent third party.

On the basis of the information provided by Sembcorp and the work undertaken, it is DNV's opinion that the Sustainable Financing Framework proposed meets the criteria established in the Protocol and that is aligned with the Sustainability-Linked Loan Principles 2021 and Sustainability Linked Bond Principles 2020. The SPTs are material and relevant to Sembcorp's business strategy, operational environment and are considered to be ambitious and reasonable in the context of their operational environment, history of operational upgrades and associated sustainability impacts.

**for DNV Business Assurance Singapore Pte. Ltd.**

Singapore / 26 August 2021



N Sathishkumar  
Lead Verifier



Mark Robinson  
Independent Reviewer

## SCHEDULE 1: SEMBCORP SUSTAINABLE FINANCING FRAMEWORK - SUSTAINABILITY PERFORMANCE TARGETS

Sembcorp KPIs and SPTs have been presented to DNV and are summarised as follows:

KPI	BASELINE	TARGET
<b>KPI 1: GHG emissions intensity</b> (Scope 1 and 2)	0.54 tCO <sub>2</sub> e/MWh	SPT 1: 0.40 tCO <sub>2</sub> e/MWh (by 2025)
<b>KPI 2 – GHG absolute emissions</b> (Scope 1 and 2)	26.5 million tCO <sub>2</sub> e	SPT2: 2.7 million tCO <sub>2</sub> e (by 2030)
<b>KPI 3 – Gross installed renewable energy capacity</b>	2.6 GW	SPT3: 10 GW (by 2025)

## SCHEDULE 2: SUSTAINABILITY LINKED FINANCING FRAMEWORK ELIGIBILITY ASSESSMENT PROTOCOL

### 1. Selection of Key Performance Indicators (KPIs)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	KPI – material to core sustainability and business strategy	<p>The sustainability performance is measured using sustainability KPIs that can be external or internal.</p> <p>The KPIs should be material to the transacting entity’s core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the industry sector and be under management’s control.</p> <p>The KPI should be of high strategic significance to the transacting entity’s current and/ or future operations.</p> <p>It is recommended that transacting entity’s communicate clearly to investors the rationale and process according to which the KPI(s) have been selected and</p>	<p>Review of:</p> <ul style="list-style-type: none"> <li>• Sembcorp Sustainable Finance Framework</li> <li>• Sembcorp’s Sustainability Framework</li> <li>• Sembcorp’s Climate Action Plan</li> <li>• Sembcorp – Website</li> <li>• Latest Sustainability Performance reports of previous reporting year</li> </ul> <p>Correspondence with Sembcorp’s representatives.</p>	<p>DNV has reviewed Sembcorp’s proposed KPIs for the prospective SFF :</p> <ul style="list-style-type: none"> <li>• KPI 1 – GHG emissions intensity (Scope 1 and 2): Track performance against Sembcorp’s 2025 emissions intensity target.</li> <li>• KPI 2 – GHG absolute emissions (Scope 1 and 2): Measure Sembcorp’s path to significantly reducing GHG emissions by 2030 &amp; delivering net-zero by 2050.</li> <li>• KPI 3 – Gross installed renewable energy capacity: Supports KPI 1, Climate Action Plan 2021 and strategic plan to transform the portfolio from brown to green.</li> </ul> <p>Sembcorp does have other impacts such as significant water use, but that impact has been addressed by previous initiatives and Sembcorp currently recycles approximately 96.5% of its water. Having done this, Sembcorp has subsequently selected the KPIs based on forward looking strategy to reduce emissions and enhance renewable energy capacity additions which happen to be the thrust area for this decade. DNV can confirm that the chosen KPIs (for the purpose of this framework) are material and relevant to the company’s core sustainability and business strategy.</p>



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		how the KPI(s) fit into their sustainability strategy.		<p>Sembcorp has a climate action plan made and shared its commitments to the wider stakeholder within the Framework. These were reviewed and confirmed to include key ESG related commitments including:</p> <p>DNV believes that the focus on achieving emissions intensity reductions over time as a KPI will enable a targeted effort to deliver on Sembcorp’s overarching decarbonisation and contribute to their mitigation policy. The KPI associated with renewable energy capacity enhancements over a time period serves to meet their strategy on transition from brown to green.</p>
1b	KPI - Measurability	<p>KPIs should be measurable or quantifiable on a consistent methodological basis; externally verifiable; and able to be benchmarked, i.e. as much as possible using an external reference or definitions to facilitate the assessment of the SPT’s level of ambition.</p> <p>Entities are encouraged, when possible, to select KPI(s) that they have already included in their previous annual reports, sustainability reports or other non-financial reporting disclosures to allow investors to evaluate historical performance of the KPIs selected. In situations where the KPIs have not been</p>	<p>Review of:</p> <ul style="list-style-type: none"> <li>• Sembcorp Sustainable Finance Framework</li> <li>• Sembcorp’s Sustainability Framework</li> <li>• Sembcorp’s Climate Action Plan</li> <li>• Sembcorp – Website</li> <li>• Latest Sustainability Performance reports of previous reporting year</li> </ul> <p>Correspondence with Sembcorp’s representatives.</p>	<p>DNV concludes that the KPI are measurable using quantifiable performance data and established benchmarks. Sembcorp has been seeking independent third party assurance over its sustainability reports in the past and this stands to testimony that the KPIs are readily externally verifiable.</p> <p>All of the KPIs are simply and readily externally verifiable and are based on quantifiable evidence that may be recorded and recalled for the purposes of verification</p> <p>DNV concludes that the measurement methodology is a robust and reliable set of metrics to measure the KPIs has been selected.</p> <ul style="list-style-type: none"> <li>• KPI 1 – GHG emissions intensity (Scope 1 and 2): Track performance against Sembcorp’s 2025 emissions intensity target.</li> </ul>

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		previously disclosed, transacting entity should, to the extent possible, provide historical externally verified KPI values covering at least the previous 3 years.		<p>Sembcorp confirms they have a GHG inventory that is being tracked annually and published in their annual report (also verified by a third party).</p> <ul style="list-style-type: none"> <li>• KPI 2 – GHG absolute emissions (Scope 1 and 2): Measure Sembcorp’s path to significantly reduction of GHG emissions by 2030 &amp; delivering net-zero by 2050. Sembcorp confirms they have a GHG inventory that is being tracked annually and published in their annual report (also verified by a third party)</li> <li>• KPI 3 – Gross installed renewable energy capacity: Supports KPI 1, Climate Action Plan 2021 and strategic plan to transform the portfolio from brown to green. Sembcorp confirms they would be announcing and tracking their capacity additions in renewable energy on a timely basis, as well publish in the annual report.</li> </ul>
1c	KPI – Clear definition	A clear definition of the KPI(s) should be provided and include the applicable scope or perimeter as well as the calculation methodology	<p>Review of:</p> <ul style="list-style-type: none"> <li>• Sembcorp Sustainable Finance Framework</li> <li>• Sembcorp’s Sustainability Framework</li> <li>• Sembcorp’s Climate Action Plan</li> <li>• Sembcorp – Website</li> <li>• Latest Sustainability Performance reports of previous reporting year</li> </ul> <p>Correspondence with Sembcorp’s representatives.</p>	<p>DNV confirms that the KPIs:</p> <ul style="list-style-type: none"> <li>• KPI 1 – GHG emissions intensity (Scope 1 and 2): Track performance against Sembcorp’s 2025 emissions intensity target.</li> <li>• KPI 2 – GHG absolute emissions (Scope 1 and 2): Measure Sembcorp’s path to significantly reduction of GHG emissions by 2030 &amp; delivering net-zero by 2050.</li> <li>• KPI 3 – Gross installed renewable energy capacity: Supports KPI 1, Climate Action Plan 2021 and strategic plan to transform the portfolio from brown to green.</li> </ul> <p>Have been clearly defined and are readily understood in the correct context. Such KPIs are widely used and are locally relevant.</p>

## 2. Calibration of Sustainability Performance Targets (SPTs)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Target Setting - realistic	The SPTs should be ambitious, realistic and meaningful to the business and be consistent with the overall strategic sustainability/ESG strategy	<p>Review of:</p> <ul style="list-style-type: none"> <li>Sembcorp Sustainable Finance Framework</li> <li>Sembcorp’s Sustainability Framework</li> <li>Sembcorp’s Climate Action Plan</li> <li>Sembcorp – Website</li> <li>Latest Sustainability Performance reports of previous reporting year</li> </ul> <p>Correspondence with Sembcorp’s representatives.</p>	<p>DNV confirms that the SPTs are consistent with Sembcorp’s sustainability strategy and strategic transformation plans.</p> <p>The targets are ambitious in the current level of performance.</p> <ul style="list-style-type: none"> <li>SPT1 – GHG emissions intensity (Scope 1 and 2): Track performance against Sembcorp’s 2025 emissions intensity target.</li> </ul> <p><i>SPT1 is considered to be reasonably ambitious and realistic in the context of Sembcorp’s current activities, investment to date and expected trajectory.</i></p> <ul style="list-style-type: none"> <li>SPT 2 – GHG absolute emissions (Scope 1 and 2): Measure Sembcorp’s path to significantly reducing GHG emissions by 2030.</li> </ul> <p><i>SPT2 is realistic given Sembcorp’s plans to enhance renewable energy generation capacity and other Group wide GHG mitigation measures.</i></p> <ul style="list-style-type: none"> <li>SPT 3 – Gross installed renewable energy capacity: Supports KPI 1, Climate Action Plan 2021 and strategic plan to transform the portfolio from brown to green.</li> </ul>

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Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<i>SPT3 is highly ambitious, yet realistic tacking into account the strides that Sembcorp has been making in the renewable energy space so far.</i>
2b	Target Setting - Meaningful	SPTs should represent a material improvement in the respective KPIs and be beyond a "Business as Usual" trajectory; where possible be compared to a benchmark or an external reference and be determined on a predefined timeline, set before (or concurrently with) the issuance of any instruments.	<p>Review of:</p> <ul style="list-style-type: none"> <li>Sembcorp Sustainable Finance Framework</li> <li>Sembcorp's Sustainability Framework</li> <li>Sembcorp's Climate Action Plan</li> <li>Sembcorp – Website</li> <li>Latest Sustainability Performance reports of previous reporting year</li> </ul> <p>Correspondence with Sembcorp's representatives.</p>	<p>DNV confirms that the chosen SPTs represent a material improvement of the KPIs, being substantial improvements over the baseline condition and are meaningful in mature.</p> <ul style="list-style-type: none"> <li>SPT 1 – GHG emissions intensity (Scope 1 and 2): Track performance against Sembcorp's 2025 emissions intensity target.</li> </ul> <p>SPT 1 relates to a bring in significant reduction in emissions intensity (0.40 tCO<sub>2</sub>e/MWh )at a Group level compared to the baseline scenario (0.54 tCO<sub>2</sub>e/MWh).</p> <ul style="list-style-type: none"> <li>SPT 2 – GHG absolute emissions (Scope 1 and 2): Measure Sembcorp's path to significantly reducing GHG emissions by 2030.</li> </ul> <p>SPT 2 relates to reduction in absolute emissions at a Group level. The SPT performance improvement is a significant and material performance increase from the baseline (26.5 million tCO<sub>2</sub>e to 2.7 million tCO<sub>2</sub>e) as measured through its pathway to achieving net-zero.</p>

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Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> <li>SPT 3 – Gross installed renewable energy capacity: Climate Action Plan 2021 and strategic plan to transform the portfolio from brown to green.</li> </ul> <p>SPT 3 relates to the capacity additions to Group’s renewable energy portfolio (2.6GW to 10GW) with significant escalations year on year.</p> <p>The initiatives to reach the desired level are considered to be a material departure from the BAU scenario as many new investments in greening the portfolio would have to be made.</p>
2c	Target Setting – benchmarks	<p>The target setting exercise should be based on a combination of benchmarking approaches:</p> <ol style="list-style-type: none"> <li>The transacting entity’s own performance over time for which a minimum of 3 years, where feasible, of measurement track record on the selected KPI(s) is recommended and when possible forward-looking guidance on the KPI</li> <li>The SPTs relative positioning of the transacting entity’s versus the peers where comparable or available, or versus industry or sector standards</li> </ol>	<p>Review of:</p> <ul style="list-style-type: none"> <li>Sembcorp Sustainable Finance Framework</li> <li>Sembcorp’s Sustainability Framework</li> <li>Sembcorp’s Climate Action Plan</li> <li>Sembcorp – Website</li> <li>Latest Sustainability Performance reports of previous reporting year</li> </ul> <p>Correspondence with Sembcorp’s representatives.</p>	<p>Based on our discussions and review of documents - DNV confirms that the SPT target setting exercise has been based on an appropriate combination of methodologies including benchmarking approaches:</p> <ol style="list-style-type: none"> <li>DNV confirms that the SFF provides KPI performance track-record where possible and relevant. In the case of all KPIs, the current and designed level of performance are provided and is aligned with the SLLP &amp; SLBP and considered by DNV to be appropriate.</li> <li>DNV concludes that the SPTs outlined go beyond that of the industry standard as demonstrated by the current performance levels.</li> <li>DNV concludes that the SPTs are put in an appropriate context of climate change mitigation efforts for Sembcorp. The SFF highlights Sembcorp’s ambition to mitigate its environmental impacts including climate change and achieving net-zero by 2050.</li> </ol>

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Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		3. Systematic reference to science-based scenarios, or absolute levels (e.g. carbon budgets) or official country/regional/international targets or to recognised Best-Available-Technologies or other proxies		
2d	Target setting – disclosures	Disclosures on target setting should make clear reference to: <ol style="list-style-type: none"> <li>1. The timelines of target achievement, the trigger event(s), and the frequency of SPTs</li> <li>2. Where relevant, the verified baseline or reference point selected for improvement of KPIs as well as the rationale for that baseline or reference point to be used</li> <li>3. Where relevant, in what situations recalculations or pro-forma adjustments of baselines will take place</li> <li>4. Where possible and taking into account competition and confidentiality considerations, how the Borrowers intend to reach such SPTs</li> </ol>	Review of: <ul style="list-style-type: none"> <li>• Sembcorp Sustainable Finance Framework</li> <li>• Sembcorp’s Sustainability Framework</li> <li>• Sembcorp’s Climate Action Plan</li> <li>• Sembcorp – Website</li> <li>• Latest Sustainability Performance reports of previous reporting year</li> </ul> Correspondence with Sembcorp’s representatives.	DNV confirms that the relevant disclosures on target setting are appropriately referenced: <ol style="list-style-type: none"> <li>1. The timelines of SPT target achievement are clearly referred to, at an annual frequency leading up to 2025 for KPIs 1 &amp; 3 and to 2030 for KPI 2</li> <li>2. The reference point for the SPT will be a baseline from FY2020.</li> <li>3. Based on the review and discussion with Sembcorp’s management team we are of the opinion that Sembcorp has considered any situations that could lead to a recalculation of the KPI baseline/trajectory. This is noted to be highly unlikely and unnecessary given the straight forward nature of the KPIs and SPTs.</li> <li>4. The Framework provides sufficient information on how SPTs will be achieved, references how progress to date has been achieved and the likely measures to be implemented to meet the KPI 1, 2 and 3 targets. Based on our interactions with Sembcorp and review of the materials provided the method by which each SPT is to be achieved is considered to be well explained and logical in context.</li> </ol>

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Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				After review of Sembcorp's overall sustainability strategy, climate action plan, management approach and Framework, DNV concludes that the SPTs are realistic and that the plan is viable and possible to meeting the SPTs outlined in the Framework.

### 3. Instrument's Characteristics

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Instrument's Characteristics – SPT Financial/structural impact	The instrument's will need to include a financial and/or structural impact involving trigger event(s) based on whether the KPI(s) reach the predefined SPT(s).	<p>Review of:</p> <ul style="list-style-type: none"> <li>Sembcorp Sustainable Finance Framework</li> <li>Sembcorp's Sustainability Framework</li> <li>Sembcorp's Climate Action Plan</li> <li>Sembcorp – Website</li> <li>Latest Sustainability Performance reports of previous reporting year</li> </ul> <p>Correspondence with Sembcorp's representatives.</p>	<p>DNV concludes that this is in line with the requirements outlined by SLLP/SLBP. Trigger events, with corresponding target observation date(s) and performance requirements under a specific SPT - as outlined in in the KPI and SPT summary document - will ensure that the financial characteristics of the security changes in accordance with performance and are effective to drive performance for the entirety of the SLL term in at least one area at any given time.</p> <p>Sembcorp has informed that the extent of this impact will be outlined in such specific security documentation. DNV did not carry out a review of an indicative Loan Term Sheet/issuance documents to confirm if it fulfils the requirements of the SLLP and SLBP.</p> <p>Impacts to the interest rate in relation to this issuance are proposed and associated with the achievement of the SPTs as set out in the Instrument Terms. This structure is considered to be typical for instruments within a Sustainable Financing Framework and appropriate for the format. However Sembcorp will address the needs of the specific instrument/s and indicate trigger events, thresholds and premium/discount mechanisms in the specific security documentation. DNV makes no assessment on the magnitude of the specifics of the deals/instruments covered under the framework in future.</p>



#### 4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Reporting	<p>Transacting entity's should publish, and keep readily available and easily accessible:</p> <ol style="list-style-type: none"> <li>1. Up-to-date information on the performance of the selected KPI(s), including baselines where relevant</li> <li>2. A verification assurance report relative to the SPT outlining the performance against the SPTs and the related impact, and timing of such impact, on the Loan's financial and/or structural characteristics</li> <li>3. Any information enabling investors to monitor the level of ambition of the SPTs</li> </ol> <p>This reporting should be published regularly, at least annually, and in any case for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the SFF instrument's</p>	<p>Review of:</p> <ul style="list-style-type: none"> <li>• Sembcorp Sustainable Finance Framework</li> <li>• Sembcorp's Sustainability Framework</li> <li>• Sembcorp's Climate Action Plan</li> <li>• Sembcorp – Website</li> <li>• Latest Sustainability Performance reports of previous reporting year</li> </ul> <p>Correspondence with Sembcorp's representatives.</p>	<p>DNV concludes based on the management discussion that Sembcorp's existing measurement and monitoring system including the articulations in this Framework and other policies/governance documents has required information including Sembcorp commitment to meet requirements of the SLLP &amp; SLBP. Sembcorp will provide reporting including:</p> <ol style="list-style-type: none"> <li>1. KPI performance relative to the SPT targets to be conducted annually for the purposes of reporting to stakeholder</li> <li>2. Sembcorp performance relative to the outlined SPTs will be subject to an annual verification from an independent third party.</li> </ol>

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Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		financial and/or structural characteristics.		

**5. Verification**

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
5a	External Verification	Transacting entity should have its performance against each SPT for each KPI independently verified by a qualified external reviewer with relevant expertise, at least once a year and for each SPT trigger event.	Review of: <ul style="list-style-type: none"> <li>• Sembcorp Sustainable Finance Framework</li> <li>• Sembcorp’s Sustainability Framework</li> <li>• Sembcorp’s Climate Action Plan</li> <li>• Sembcorp – Website</li> <li>• Latest Sustainability Performance reports of previous reporting year</li> </ul> Correspondence with Sembcorp’s representatives.	DNV confirms that Sembcorp has committed in their SFF to obtain external and independent verification of its annual KPI performance relative to the SPTs and in connection with any trigger event as specified in specific security documentation.

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**About DNV**

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

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