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**SEMBCORP INDUSTRIES' TWENTY-SIXTH ANNUAL GENERAL MEETING –
RESPONSES TO QUESTIONS FROM SHAREHOLDERS AND SECURITIES
INVESTORS ASSOCIATION (SINGAPORE)**

Singapore, April 18, 2024 – Sembcorp Industries Ltd (Sembcorp) refers to its announcement on April 1, 2024, in relation to its Twenty-Sixth Annual General Meeting (AGM) which will be held in a wholly physical format on Tuesday, April 23, 2024 at 9.30 a.m.

By way of update, Sembcorp has not received any substantial and relevant questions related to the resolutions to be tabled for approval at the AGM from its shareholders as of the April 11, 2024 deadline for the submission of questions in advance of the AGM. As stated in its April 1, 2024 announcement, Sembcorp will respond to questions submitted after the April 11, 2024 deadline either within a reasonable timeframe before the AGM, or at the AGM itself.

Sembcorp would like to thank Securities Investors Association (Singapore) (SIAS) for their questions on Sembcorp's 2023 Annual Report. Please refer to Appendix 1 for our responses to the questions raised by SIAS.

Appendix 1

Question 1

As noted in the statement to shareholders by the chairman and CEO, the group is fully committed to transform its portfolio from brown to green and drive energy transition. The 2024-2028 strategic plan, as unveiled during the second Investor Day in November 2023, includes accelerating renewables growth, strengthening commitment to decarbonisation and continuing to leverage gas as a transition fuel to fund renewables growth.

Including the latest award in India, the group has 14.3GW of gross renewables capacity, comprising 9.8GW of installed capacity and 4.5GW secured or under construction. This includes the acquisition of a 245MW renewables portfolio in Vietnam pending completion.

The group targets to achieve 25GW of gross installed renewables capacity by 2028 and the key markets have been identified as China, India and Southeast Asia.

- (i) **Based on the target of 25GW of renewables capacity, what is the optimal split among the different sources, including wind (onshore and offshore), solar, hydro and energy storage capacity?**

As shared during Sembcorp's Investor Day in November 2023, we expect a more balanced profile between solar and wind technologies, with a stable proportion of energy storage assets by 2028.

Based on our estimated gross installed renewables capacity of 25GW by 2028, solar assets are expected to make up approximately half of our total portfolio with onshore wind assets comprising approximately 45% and energy storage assets representing approximately 5%. Hydro capacity is expected to be less than 1% of our total portfolio.

The 2028 breakdown is for indicative purposes and may evolve depending on market conditions. Please refer to Slide 27 of our [Investor Day 2023 presentation deck](#) for more details.

Under the operating and financial review (page 25), it was disclosed that the group grew its renewable portfolio in India to 4.2GW with 750MW of greenfield projects secured.

- (ii) **Can management help shareholders better understand how acquiring operational renewable energy assets, such as Vector Green and Leap Green Energy, contributes to driving the energy transition, considering it is just a change of ownership?**

Through the acquisition of operational renewable assets, capital is invested into the Renewables segment, increasing the capital inflows into the Renewables segment, and hence accelerating the energy transition.

The acquisition of operational renewables assets is part of our growth strategy to grow our renewables portfolio and accelerate the transformation of our portfolio. Consistent with our strategy to transform our portfolio from brown to green, we are actively reinvesting the cash flow generated from our Gas and Related Services segment into the Renewables segment.

We have strong development capabilities in the Renewables segment, and brownfield acquisitions present opportunities for us to enhance the operational performance, increase productivity and maximise generation of the assets. For example, through our in-house technical capabilities, we were able to enhance the generation of the Vector Green portfolio by using existing infrastructure and minimal modifications to the plant. By reusing modules, we were able to extract additional generation. Through this repowering initiative, we expect to achieve a generation increase of 9,000MWh per annum.

We also focus on asset efficiency through digital capabilities. This has enabled us to integrate asset data into our self-operations & maintenance (O&M) platform to improve efficiency and cost optimisation. Our assets are monitored through a central monitoring system, allowing timely deployment of on-site technical teams to rectify any issues.

(iii) In addition, does the reported gross renewables capacity factor in the group's ownership stake, such as when acquiring a 49% stake in a 795-megawatt portfolio with Beijing Energy?

The gross installed capacity refers to gross alternating current capacity of the plant at commercial operation date, as specified in the grid connection agreement or as permitted, assuming 100% ownership of the facility.

We have disclosed our attributable capacity, which takes into account the group's ownership stake in our announcement setting out the operational data of our assets.

The latest disclosure is as at December 31, 2023 and can be found here: https://www.sembcorp.com/media/z3ffbzyf/sci_fy2023_operational-data.pdf

(iv) Is management prioritising acquisitions of operational assets over greenfield projects? Is there a risk that the group overpays for its acquisitions in its bid to hit the targets?

As part of our growth plan, we would employ a diversified set of strategies to drive sustainable growth. As such, we would engage in greenfield projects, as well as pursue acquisitions of operational assets.

While both avenues present unique opportunities, we are cognisant of the potential risks associated with each of the strategies. Acquisitions carry the risks of overpaying and integration, while greenfield projects may entail the risk of aggressive bidding and uncertainties in project execution, hence reducing returns. To mitigate these risks, we

adhere to a disciplined investment framework that places strong emphasis on asset quality as well as returns.

Acquisitions are complementary to greenfield bids, as part of our growth strategy given our capabilities in due diligence and asset enhancements to improve returns. These operational assets would also provide immediate cash flows and stabilised returns to our portfolio.

(v) Is there a concern that the group evolves into a financial investor in renewables with little to no technical value-add?

As highlighted in our response to Q1(ii) above, we have established our presence in our key growth markets and established strong development capabilities with the ability to participate across various renewables segments and enhance returns of operational portfolios.

We are the largest solar and battery developer and operator in Singapore, with 723MWp of solar projects and 289MWh of energy storage systems.

In India, we are a leading independent power producer with one of the largest fleets of wind assets under self O&M. In 2023, the proportion of assets under in-house O&M increased to 67%, from 59% in 2022. Our experienced on-site team possesses a robust understanding of the local market, thereby bolstering our competitive advantages.

In China, under our majority-owned platforms, we continue to build capabilities in asset management and operations to enhance performance. This includes adopting best practices from other markets to improve portfolio reliability and bringing O&M in-house to achieve cost savings.

Separately, it was disclosed that “a strategic review of the Urban business is underway”.

(vi) Can management clarify if it is conducting a strategic review of the entire “Integrated urban solutions” business segment and if a sale of the urban business would result in the group becoming an energy/renewable pureplay?

The Integrated Urban Solutions segment encompasses the Urban, Water, and Waste-to-resource businesses. We have shared that new management in the Urban business has been appointed and we will announce our revised strategy for the Urban business by mid-2024.

There are no plans to divest the Urban business now. In the event of any material development, we will inform the market accordingly.

Question 2

With the disposal of Sembcorp Energy India Limited and its subsidiaries (“SEIL”) completed in January 2023, the group recognised net loss of \$(78) million. The loss on disposal of \$(78) million was after realisation of an accumulated currency translation loss recognised in the foreign currency translation reserve of \$(423) million and a gain in capital reserve and other reserves of \$290 million. Before realisation of these reserves, the sale was a gain of \$55 million (page 223).

In fact, the foreign currency translation reserve still stands at \$(672) million as at 31 December 2023 (2022: \$(957) million), even after eliminating the \$(423) million associated with SEIL.

In addition, it was disclosed that the group has net investment hedges for its China subsidiaries (2022: UK and China) using forward foreign exchange contracts (page 195).

- (i) Could the board explain the group’s approach to managing foreign currency risks, particularly considering its significant investments in renewable energy assets in China, India, and Southeast Asia? How successful has the group been in mitigating these foreign currency risks?**

The Group manages its foreign currency risks, in accordance with the Group’s risk management policy. In our countries of operations, there is usually a natural hedge where revenue and expenses are in the same currency. Residual exposure is managed through the use of financial hedges as and when required to close out our position. The Group will contract forward foreign exchange contracts and cross currency interest rate swaps to eliminate exposure from operations and its borrowing exposure, where appropriate.

The Board approves Sembcorp’s risk management and hedging policies, that are set out to optimise the Group’s risk profile. These measures collectively enable the Group to consistently deliver value to shareholders by focusing on its core businesses.

- (ii) What guidance has the board provided to management in view of the \$(672) million foreign currency translation reserve as at 31 December 2023?**

The \$(672) million foreign currency translation reserve as at December 31, 2023 comprises

- a) foreign exchange differences arising from translation of the financial statements of foreign entities,
- b) effective portion of the hedging instrument which is used to hedge against the Group’s net investment in foreign entities, and
- c) translation of foreign currency loan used to hedge or form part of the Group’s net investments in foreign entities.

These losses are non-cash in nature. Depending on the currency movement, it could be an exchange gain or loss which is released to the consolidated statement of profit or loss upon disposal of the investment as part of the gain or loss on disposal. The management will continue to monitor the movement of currencies in the foreign currency translation reserve, and will employ appropriate hedges should a potential disposal or capital recycling exercise relevant to the foreign currency translation reserve arises.

- (iii) What factors influence the group's decision to maintain net investment hedges for investments in China (CNH) while allowing hedges for investments in the UK (GBP) to lapse? Is there a methodical (rather than speculative) approach to the group's strategy? Has the board considered implementing net investment hedges for its investments in India?**

Sembcorp adopts a long-term view for our investments and at the same time, employs a methodical approach to its hedging strategy, based on thorough analysis of country conditions, market conditions, risk exposures, and strategic objectives. The approach and tools deployed to manage risks would be country specific, and follow a comprehensive assessment of the potential benefits and costs involved, ensuring alignment with our overall financial objectives and risk tolerance levels.

Question 3

As noted in the corporate governance report, the group has a “Group integrated audit (GIA)” which functions as the internal audit. The GIA is recognised as an important line of defence and a core component in the group’s assurance framework and governance process.

GIA adopts a risk-based approach in developing the group’s annual audit plan, which covers the key risks and controls identified through the group’s Integrated Assurance Framework (IAF). The risk-based approach ensures that the key controls are covered systematically over the relevant audit cycle. The key controls over the group’s top risks are audited on an annual basis. The scope of the GIA function extends to all areas of the company and its controlled entities.

- (i) What role does the audit committee play in shaping the scope of the (internal) audit plan, and how actively involved is it?**

The internal audit plan is reviewed and approved by the Audit Committee (AC) on an annual basis. Any changes in the internal audit plan will be subject to approval by the AC. The AC is apprised of the audit progress on a quarterly basis and reviews the evaluation and reports submitted by internal auditors, ensuring that audit resources are allocated in line with key business, operational and financial risk areas.

Key audit matters are reviewed with management and external auditors on a quarterly basis to ensure they are appropriately dealt with.

(ii) How large is the GIA team? Are there local GIA teams stationed in significant cities overseas, such as in key cities in China, India, and Indonesia?

The GIA team in Sembcorp comprises 15 personnel, of which the majority are based in Singapore.

(iii) What were the scope, key findings and recommendations by the GIA for FY2023?

The AC reviews the key audit matters with management and external auditors on a quarterly basis to ensure that they are appropriately dealt with. The AC concurred with the basis and conclusions included in the auditors' report for FY2023 with respect to the key audit matters.

For more information on key audit matters, please refer to pages 103 to 108 of the annual report.

Separately, it was reported in the media that two former employees of Sembcorp Marine were charged in the Singapore courts with bribing Brazilian officials involving more than S\$20 million to advance their companies' interest in the South American country.

The alleged offences took place on several occasions between 2009 and 2014. The demerger between Sembcorp Industries and Sembcorp Marine was only completed in September 2020.

(iv) Has the audit committee reviewed its Integrated Assurance Framework in light of recent developments and identified any areas that could be strengthened further?

Since 2020, the Group has adopted the Integrated Assurance Framework, with the aim to strengthen risk and controls assessment, and improve the effectiveness of internal controls. Sembcorp has a strong commitment to corporate governance and strives to meet the highest standards across all operations. The company has strict anti-bribery policies in place including employee code of conduct and whistleblowing procedures. As part of the review of our anti-bribery and corruption policy, additional strengthening measures were taken, to address global developments in the regulatory climate.

These measures include:-

- Commencing in-person training globally for staff with significant third-party interfaces such as procurement and sales;
- Ensuring all gifts given and received are declared and reviewed by Group Ethics and Compliance as well as the General Counsel and thereafter reported to the Enterprise Risk Committee; and

- Clarifying the purview of any corporate related sponsorships to limit them to community investments and sponsorships which have cleared KYC (Know Your Customer) standards and are directly related to permissible purposes including assistance of fence line communities. All such sponsorships and community investments are reviewed by Group Ethics and Compliance.

The company adopts zero tolerance towards all forms of bribery and corruption and is committed to conducting business with integrity and with the highest ethical standards. We also do not and will not tolerate any improper business conduct.

- End -