

Group FY2018 Highlights

Turnover \uparrow 30%
S\$11,689 million
 US\$8,532 million

EBITDA \downarrow 16%
S\$1,279 million
 US\$934 million

Profit from Operations \downarrow 22%
S\$841 million
 US\$614 million

Net Profit \downarrow 9%
S\$347 million
 US\$253 million

Return on Equity
5.1 %

Total Dividend
4.0 cents
 per ordinary share

Utilities
100%

Marine*
61%**

Urban Development
100%

Turnover \uparrow 15%
S\$6,569 million
 US\$4,795 million

Turnover \uparrow 61%
S\$4,888 million
 US\$3,568 million

Turnover \downarrow 58%
S\$5 million
 US\$4 million

Profit from Operations \uparrow 26%
S\$820 million
 US\$599 million

Profit from Operations
(S\$55) million
 (US\$40 million)

Profit from Operations \uparrow 4%
S\$94 million
 US\$69 million

Net Profit \uparrow 123%
S\$312 million
 US\$228 million

Net Profit
(S\$74) million
 (US\$54 million)

Net Profit \uparrow 4%
S\$86 million
 US\$63 million



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EBITDA: earnings before interest, tax, depreciation and amortisation

* Figures taken at Sembcorp Marine level

** As at December 31, 2018. Shareholding figures are calculated based on the number of issued ordinary shares excluding treasury shares

About Sembcorp

Sembcorp Industries is a leading utilities, marine and urban development group, operating across multiple markets worldwide.

As an integrated energy player, Sembcorp is poised to benefit from the global energy transition. With a strong track record in developing and developed markets, we provide solutions across the energy and utilities value chain, with a focus on the Gas & Power, Renewables & Environment, and Merchant & Retail sectors. We have a balanced energy portfolio of over 12,000 megawatts, including thermal power plants, renewable wind and solar power assets, as well as biomass and energy-from-waste facilities. In addition, Sembcorp is a world leader in offshore and marine engineering, as well as an established brand name in urban development.

Sembcorp Industries has total assets of over S\$23 billion and over 7,000 employees. Listed on the main board of the Singapore Exchange (SGX), we are a component stock of the Straits Times Index, several MSCI and FTSE indices, as well as the SGX Sustainability Leaders Index and the Dow Jones Sustainability Asia Pacific Index.



Utilities

An integrated energy player with a balanced energy portfolio of over 12,000 megawatts of power and around 8.8 million cubic metres of water and wastewater treatment capacity per day

 [Read more on page 44](#)



Marine

A leading industry player providing innovative engineering solutions to the global offshore, marine and energy industries, drawing on more than 50 years of proven track record

 [Read more on page 52](#)



Urban Development

A leading Asian developer with a strong track record in transforming raw land into sustainable urban developments, delivering the economic engine to support growth

 [Read more on page 60](#)

Embracing Change Enabling the Future

In a world of rapid change and disruption amidst the global energy transition, the task at hand for Sembcorp is to embrace these currents of change and reshape our future.

Our success will lie in how we reposition the business, reimagine solutions and redefine our purpose. We are managing our portfolio for performance, stepping up sustainability efforts and building an agile, dynamic organisation with the right capabilities and culture.

Taking decisive action, we are building a stronger Sembcorp. Our purpose and passion is to play our part in enabling a sustainable future, with energy and innovative solutions that support development and create value for our stakeholders and communities.

Chairman and CEO's Statement



Neil McGregor, Group President & CEO (left), Ang Kong Hua, Chairman (right)

In 2018, we made progress in repositioning our businesses for performance, taking strategic steps to align them with global trends and the overall direction of the market.

Dear Shareholders,

In February 2018, we announced a bold new strategy to reposition Sembcorp for success in a rapidly changing world. Our goal is a balanced and strong portfolio of businesses, aligned to the new realities of the market and the evolving demands of society, that will ultimately support sustainable development and create value for our stakeholders. To this end, we put in place an action plan to reshape our organisation with the right capabilities for the future, while working to strengthen our performance and balance sheet. Leveraging our strengths and embracing change, our ambition is to be an integrated energy and urban development company of the future and the region's leading independent renewable energy company.

We are now a year into our journey to reshape Sembcorp. Building competitive businesses that are attuned to industry trends and well-positioned to thrive amidst the global energy transition will take time. In the past year, we have made a good start. We deepened our bench strength and brought in new expertise to build a more competitive, more progressive Sembcorp. From growing our renewables business to entering the distributed energy market and strengthening our merchant and retail business, we expanded our capabilities to stay ahead of the curve and position ourselves for the future. At the same time, we explored potential synergies and combined business opportunities for our energy, marine and urban development businesses, such as in renewables and downstream gas supply. However, the road is not without its challenges. Our Marine business continues to face a difficult environment. Overall business volume and activity remain low, while competition continues to be intense. While we are confident that the Marine business is well-positioned for the market's eventual recovery, we recognise that as a Group we

will need to ride out this protracted sectoral downturn. In this context, the good performance of our two other engines, the Utilities and Urban Development businesses, is not only timely, but also a testament to our strength and resilience as a Group and to the robustness of our new strategic direction.


Strengthening our balance sheet

As we continue to reposition our businesses, seize opportunities arising from an energy market in transition and support our Marine business through the down cycle, we recognise the need to strengthen our balance sheet. To this end, we maintain a disciplined approach to capital management, optimising our portfolio and undertaking systematic capital recycling. To date, we have completed a number of divestments of peripheral assets in Singapore, China, Oman and South Africa, unlocking cash proceeds of just under S\$200 million.

2018 in Review

In 2018, the Group's turnover was S\$11.7 billion and net profit S\$347 million, compared to S\$9.0 billion and S\$383 million respectively the preceding year. Amid difficult conditions for the offshore and marine industry, our Marine business turned in a loss of S\$48 million to the Group in 2018. The impact of this on the Group was however mitigated by the good performance of our Utilities and Urban Development businesses. In 2018, our Utilities business more than doubled its net profit to S\$312 million from S\$140 million the previous year. Excluding exceptional items, Utilities net profit grew 23% over the previous year. Meanwhile, our Urban Development business delivered a record net profit of S\$86 million, delivering growth over its previous record net profit of S\$83 million in 2017. Group return on equity was 5.1%.

For 2018, the board proposes a final dividend of 2.0 cents per ordinary share, subject to shareholders' approval. Together with the interim dividend of 2.0 cents per ordinary share paid in August 2018, this brings our total dividend for the year to 4.0 cents per ordinary share.

 For more on the performance of the Group and our businesses in 2018, please refer to pages 28 to 67.

Embracing Change, Enabling the Future

From competition and rising business costs to the impact of increased environmental regulation and potential interest rate hikes, companies today face evolving risks amid a volatile environment. Against the backdrop of developments such as Brexit and trade tensions between the US and China, many also see heightened uncertainty in the policy and regulatory environment, and the potential for ripple effects across global markets.

With the protracted Marine downturn, the good performance of our two other engines, Utilities and Urban Development, is not only timely, but also a testament to our strength and resilience as a Group and to the robustness of our new strategic direction.


Profound shifts are underway in the energy industry. The growth of renewables has disrupted the conventional utility systems of past decades. Policy frameworks are moving to discourage less environmentally friendly means of generation, and low-carbon energy is increasingly entering the mainstream. At the same time, market liberalisation is bringing about greater competition. Technology is also transforming the industry, from generation and asset management to retail, customer interface and delivery.

The task at hand for us is to navigate and embrace these currents of change, and reshape the future of Sembcorp. In doing so, we want to protect the value that has been built up over the years in our company and brand, seize opportunities that arise and position ourselves as a leader in tomorrow's energy space.

In these efforts, we are guided by three strategic priorities. Firstly, we will manage our portfolio for **performance**. We will ensure disciplined capital allocation and systematic capital recycling to strengthen our balance sheet, while actively managing and optimising our assets. Our performance will also be

In our Utilities business, we deepened our presence and strengthened our integrated energy platforms in key markets. We also built up our capabilities to maintain our market leadership and sharpen our competitive edge.

underpinned by strong business models in each of our businesses that are customer-centric, technology-enabled and that offer long-term growth opportunities. Secondly, we will prioritise **sustainability**, doing our part to help secure the future of our world, participating in the low-carbon and circular economy, and embedding responsible business practices in our organisation. Thirdly, we will focus on building a **dynamic organisation** with the right capabilities, culture and values to support our growth.

 For a summary of our strategic priorities and the progress achieved towards them in 2018, please refer to the table on page 13.

Managing Our Portfolio for Performance

Deepening our presence in key markets, building businesses aligned to global trends

In 2018, we made progress in repositioning our businesses for performance, taking strategic steps to align them with global trends and the overall direction of the market.


In our Utilities business, we deepened our presence and strengthened our integrated energy platforms in key markets. We also built up our capabilities to maintain our market leadership and sharpen our competitive edge. In Singapore, we extended our gas business to include liquefied natural gas imports under the government's newly introduced Spot Import

Policy. In line with our strategy to move our business closer to our customers, we entered the country's recently-launched Open Electricity Market as a power retailer. We also made strides in expanding our solar power and renewable energy solutions in the country. In India, we improved returns at our thermal energy business and achieved a significant milestone in enhancing our performance with a turnaround to profitability. A key achievement was our second thermal power plant in the country securing power purchase agreements for the supply of 250 megawatts to Bangladesh for a total of 15 years. We also grew our renewables portfolio in India by 300 megawatts and consolidated our thermal and renewable energy businesses in the country to be owned through a single entity, Sembcorp Energy India Limited. Meanwhile, as part of our efforts to build future-ready capabilities, we acquired UK Power Reserve (UKPR), the UK's largest flexible distributed energy generator. UKPR's highly responsive energy solutions include fast-ramping power and energy storage. These help to support a renewable future for the country by bridging supply gaps between intermittent renewables generation and conventional centralised thermal generation. With this acquisition, we have transformed our UK business from a centralised utilities play on a single industrial site, into a nationwide business with a mix of capabilities and technologies that are highly relevant in today's market.

On the Marine front, efforts continued to retool and shift the business' portfolio and capabilities to diversify its products and services across the offshore, marine and energy value chain amid a quiet market for drilling solutions. Our Marine business is positioning itself for the future with its state-of-the-art Tuas Boulevard Yard, where enhanced capabilities offer greater optimisation, efficiency and safety and the ability to serve new customer segments. The business has also invested in new technologies such as floating cylindrical units for offshore application, and entered the market for renewable energy engineering projects.

On the Urban Development front, we have built on our strong brand name and market positions to pursue adjacencies and offer new business models such as specialised business

hubs and smart developments. With the business' proven track record in catalysing investment, job creation and economic growth, its performance will continue to be underpinned by its healthy orderbook and land bank. In addition, the growing demand for smart developments that are energy and resource efficient may also present greater opportunities to offer greener integrated energy and utilities offerings within our urban development projects.

 For more on the outlook for our businesses and how we are positioning them for the future, please refer to pages 44 to 67.

Stepping Up Our Commitment to Sustainability

Today, growing recognition of the reality of climate change and increasing pressure on finite resources has underscored the importance of sustainable development, and the urgency for us to take meaningful steps to secure our

The growing demand for smart developments that are energy and resource efficient may present greater opportunities to offer greener integrated energy and utilities offerings within our urban development projects.

collective future. Around the world, this momentum is reshaping government policy, disrupting industry and commerce, and even determining the choices we make as individuals.

Articulating our ambitions for a sustainable future

Sembcorp firmly believes that we must be part of the solution. Our purpose is to not only do well, but also do good. We aim to play our part in creating a sustainable future, delivering energy and innovative solutions



A leading renewable energy player in India, Sembcorp Energy India Limited grew its renewable energy portfolio by another 300 megawatts in 2018



Sembcorp's solar power business in Singapore is growing well, with rooftop assets that generate renewable energy for the land-scarce city state

Sembcorp's purpose is to not only do well, but also do good.

that support development and create value for stakeholders and communities. We have three clear ambitions: to enable a low-carbon and circular economy, to empower our people and communities, as well as to embed responsible business practices in our everyday operations and conduct as a company.

In March 2018 Sembcorp launched our Climate Change Strategy, guided by the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures. This sets out our approach to managing the risks and opportunities arising from climate change and the low-carbon transition, and lays out substantive targets to reduce emissions intensity and grow renewables capacity.

Our ambitions and goals are aligned with our commitment to furthering the United Nations'

Sustainable Development Goals. By meeting the needs of society while managing our material environmental, social and governance risks and opportunities, it is our firm belief that we will succeed as a business and achieve our purpose in supporting development and creating value.

Generating good momentum in renewables growth

As part of stepping up our commitment to sustainability, we are actively investing in low-carbon businesses and growing our renewables portfolio. In 2018, we grew our global renewables portfolio in operation and under development by around 20% to 2,600 megawatts.

In India, we emerged as the largest cumulative winner in the first three nationwide wind power auctions conducted by the Solar Energy Corporation of India, with 800 megawatts secured. In 2018, we further cemented our reputation and credibility as a green energy player when we became the first company to deliver installed capacity awarded under these auctions.

As a company, we recognise that technology and digital platforms can be powerful differentiators. We aim to drive business performance through innovation, R&D and deployment of advanced technologies.

In Singapore, we grew to become a leading solar power player, with more than 120 megawatt peak of rooftop solar projects across over 1,500 sites. This includes rooftop solar capacity won under a 50 megawatt peak tender from the Housing & Development Board and the Singapore Economic Development Board. It also includes new projects to develop, own and operate rooftop solar farms for commercial and industrial clients.

In addition, in 2018 Sembcorp became Facebook's first renewable energy partner in Asia, with a 20-year clean energy deal to support its upcoming data centre and other operations in Singapore. As our world moves towards renewables and lower-carbon energy, leading businesses are increasingly demanding solutions that enable them to achieve growth while managing their impact on the environment. Our deal with Facebook is an example of how Sembcorp is actively helping these like-minded companies meet this dual objective.

For more on sustainability at Sembcorp, please refer to pages 78 to 108.

Building a Dynamic Organisation Driving digitalisation and innovation

Around the world, digitalisation is disrupting and transforming almost every sector and fundamentally changing the way we live, work and operate. As a company, we recognise that technology and digital platforms can be powerful differentiators. In 2018 Sembcorp established a new Digital & Technology team, with a mandate to drive business performance through innovation, research and development (R&D), and deployment of advanced technologies. Our aim is to broaden and deepen our digital capabilities around four themes: establishing a strong and secure information technology foundation, digitising

our business, embedding innovation, and managing the digital journey and change.

Beyond the company, we are collaborating on R&D with government agencies, research institutes, technology providers and institutes of higher learning. For instance, in 2018 we announced a S\$10 million extension to our joint fund with Singapore's Energy Market Authority (EMA) in support of R&D for the country's energy and utilities sector, as well as another collaboration with EMA to explore applying energy storage in Singapore. Enabled by a wide range of technology, from cloud computing and robotic process automation to artificial intelligence, Sembcorp's digitalisation initiatives have received the support of the Singapore Economic Development Board.

For more on digitalisation and technology at Sembcorp, please refer to pages 22 and 23.

Enhancing capabilities and bench strength, embedding a high-performance values-based culture

We fully recognise that the execution of our strategy and our future success rests on having a dynamic organisation that is agile and competitive, and supported by the right people and capabilities.

In 2018, we reorganised our company to better drive a strong presence in key markets and grow our business lines. We also focused on succession planning, deepening leadership bench strength and bringing on board new expertise in areas targeted for accelerated development.

The evolving global business environment is complex to navigate. We are more aware than ever of the need to maintain strong discipline and governance, effective oversight and rigorous risk management. In addition to

Chairman and CEO's Statement

strengthening our legal, compliance and risk management capabilities, we also continue to review and enhance our governance systems and processes.

As we rally our global team around Sembcorp's new goals and direction, we aim to unite them around Sembcorp's shared values. Our priority is to encourage a culture that is not only high-performing, but also centred on integrity and responsible business practices, including safety. In 2018, we maintained efforts to promote strong ownership of workplace health and safety with the launch of a behaviour-based safety programme. Through our continuous efforts, during the year we halved our annual lost time injury rate for subsidiaries within our reporting scope. While we have made progress, the journey is never over. With great regret, we report that in 2018 there was one fatality due to a contractor accident at one of the company's sites in India. We are deeply saddened by this incident. A thorough review has been carried out, following which additional safeguards have been implemented to minimise risks. We will strive to ensure that employees and contractors maintain safe work practices and also encourage other companies within our sphere of influence to do the same.

A Note of Welcome and of Thanks

On behalf of the board, we would like to extend a warm welcome to Dr Josephine Kwa Lay Keng, who joined us as an independent director on August 1, 2018. As the former CEO of NSL, who also served as its chief operating officer and head of technology in the course of her career, Dr Kwa has rich experience in technology as well as R&D across various industries, including energy and engineering. She has lent us the benefit of her expertise on our Technology Advisory Panel for a number of years, and it gives us great pleasure to now welcome her as the newest addition to the board.

Embracing change and taking decisive action, we are confident of a bright future for Sembcorp, as a Group that delivers lasting value to stakeholders for years to come.

We would like to express our gratitude to our shareholders for your continued support. Thanks must also go to our talented team of employees around the world. The introduction of a new strategic direction has meant that our people have to face change, adapt and embrace new ways of thinking and working. Under the pressure of these increased demands, they have risen to the challenge admirably, with courage, commitment and professionalism. They are at the heart of what makes Sembcorp a great company.

Guided by a clear strategy and driven by the passion and dedication of our people, your board and management are determined to stay the course and transform Sembcorp. Embracing change and taking decisive action, we are confident of a bright future for Sembcorp, as a Group that delivers lasting value to stakeholders for years to come.



Ang Kong Hua
Chairman
February 21, 2019



Neil McGregor
Group President & CEO
February 21, 2019



At the heart of Hexi central business district is Sembcorp Development's Sino-Singapore Nanjing Eco Hi-tech Island, the designated artificial intelligence application showcase for Nanjing, China

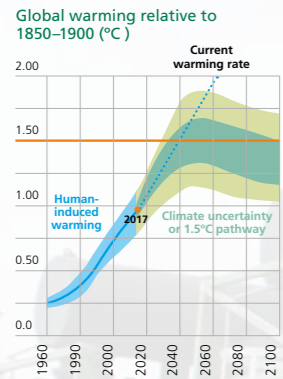
Repositioning Sembcorp

We are repositioning for success in a rapidly changing world, building strong businesses that create value for our stakeholders and support a sustainable future.

Our World

Climate Change

Climate change is becoming a more pressing issue, and urgent action is needed to combat its impact.



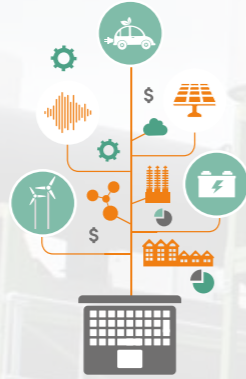
Sustainable Development

Growing recognition of the reality of climate change and increasing pressure on finite resources has underscored the importance of sustainable development.



Market Disruption

Fast-changing trends, advances in technology and new business challenges are creating disruptions and opportunities in the marketplace.

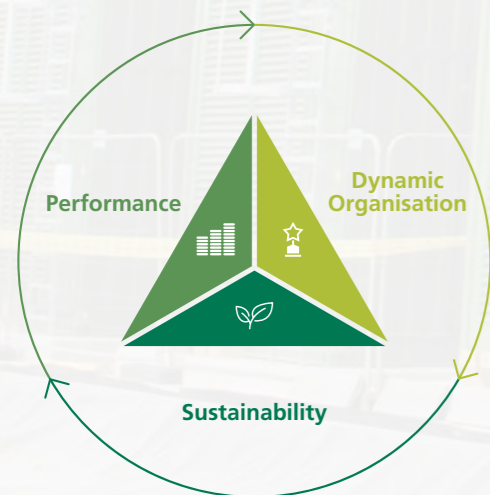


Technological Advancement

Digitalisation and technological advancement are disrupting and transforming almost every sector and fundamentally changing the way we live, work and operate.



Our Strategy



Read more on pages 24 and 25

Our Transformation Journey



Our Priorities

Our Progress

Performance		Utilities	Marine	Urban Development
Lifting Performance and Returns	<ul style="list-style-type: none"> Profit growth of 123% from 2017, up 23% excluding exceptional items India turnaround to profitability 	<ul style="list-style-type: none"> Work volume significantly below peak levels and competition remained intense 	<ul style="list-style-type: none"> Net profit up 4% from 2017, second year of record earnings Record net orderbook secured, up 69% from 2017 	
Reshaping Portfolio	<ul style="list-style-type: none"> Deepening presence in key markets of Singapore, India and the UK, notably in the gas & power, renewables and flexible generation businesses 	<ul style="list-style-type: none"> Moving up the value chain with entry into new product segments, such as renewable energy engineering solutions 	<ul style="list-style-type: none"> Pursuing adjacencies and offering new business models such as specialised business hubs and smart developments 	
Strengthening Balance Sheet	<ul style="list-style-type: none"> Unlocking value through divestments: cash proceeds of ~\$200 million in 2018 			
Sustainability				
Establishing Climate Change Strategy	<ul style="list-style-type: none"> A climate change strategy was established with targets that include <ul style="list-style-type: none"> Reducing greenhouse gas (GHG) emissions intensity to 0.42 tonnes of carbon dioxide equivalent per megawatt hour (tCO₂e/MWh) by 2022 and to <0.40 tCO₂e/MWh by 2030 Increasing renewables capacity to ~4,000 megawatts by 2022 			
Growing Renewables and Other Green Solutions	<ul style="list-style-type: none"> Renewable energy capacity now 2,600 megawatts, up ~20% from end-2017; entry into battery storage 	<ul style="list-style-type: none"> A leading solar player in Singapore with over 20 megawatt peak capacity 	<ul style="list-style-type: none"> More than 1,700 megawatts of renewable energy capacity in India; first to deliver a SECI wind project 	
Embedding Sustainability in the Organisation	<ul style="list-style-type: none"> New Key Performance Indicator Framework incorporates Environmental, Social & Governance (ESG) components 			
Dynamic Organisation				
Building and Deepening Capabilities	<ul style="list-style-type: none"> Building leadership bench strength <p>Augmenting Capabilities:</p> <ul style="list-style-type: none"> Merchant & Retail Digital & Technology Risk Management & Compliance 			
Digitalising and Entrenching Innovation	<ul style="list-style-type: none"> Establishing a strong and secure IT foundation 	<ul style="list-style-type: none"> Digitising the business to improve efficiency, productivity and customer experience 	<ul style="list-style-type: none"> Embedding innovation in our business by developing differentiated solutions 	

Reimagining Solutions

As markets shift, industries transform and technology disrupts, we are reimagining how solutions can be created and delivered to our customers.

Green & Sustainable

With the growing trend of decarbonisation, the global energy mix is seeing significant shifts towards cleaner sources. We firmly believe that we must be part of the solution for sustainable development, and aim to play our part in enabling a low-carbon and circular economy. From renewable energy and greener engineering solutions to eco-friendly integrated townships, our businesses have a real capacity to make a change for a more sustainable world.



Case Study UK Power Reserve

UK Power Reserve is the UK's largest generator of flexible distributed energy. With over 800 megawatts in operation and under development, its portfolio comprises small-scale, fast-ramping power generation assets and rapid response batteries. They help counter the intermittency of renewable power sources, supporting the shift towards green energy. They also add resilience to the UK national grid by providing high-value rapid response ancillary services to balance the system. These capabilities allow Sembcorp to better meet the needs of a fast-moving energy market in transition.

Innovative & Technology-enabled

Digitalisation and the advancement of technology is disrupting almost every sector globally, fundamentally changing the way we live, work and operate. Recognising that technology and digital platforms can be powerful differentiators, we are transforming our business models to better capitalise on opportunities arising from the global energy transition. With creative insight, we are committed to providing innovative and technology-enabled products and services for a sustainable future.



Case Study Gravifloat

Sembcorp Marine's Gravifloat platforms are re-deployable, near-shore, modularised liquefied natural gas (LNG) and liquefied petroleum gas (LPG) terminals designed for installation in shallow waters of 8 to 20 metres. The floatable modules are highly versatile for site-specific requirements and can be flexibly configured as a single-unit terminal or connected to other units as a multi-module terminal. Gravifloat technology can be applied to import and export terminal infrastructure for treatment, storage, liquefaction, re-gasification, and offloading of LNG and LPG. It is also suitable for the installation of offshore power plants, and can be used for bunkering and distribution.

Customer-centric

Customer expectations are intensifying in the always-on, digital age. Having strong business models that are customer-centric, technology-enabled and that offer long-term growth opportunities is critical. With increasing demand disruption and decentralisation in the energy sector, we recognise the need to move our businesses closer to our customers, and are building our capabilities to maintain our market leadership and sharpen our competitive edge.



Case Study Sembcorp Power Digital Experience

As a power retailer in Singapore's recently-launched Open Electricity Market, we introduced an automated process to manage customer queries and enable us to respond in a faster and more efficient manner. The new Sembcorp Power mobile application also provides a rich digital experience and allows customers to monitor their electricity consumption and manage their accounts easily. The app enables customers to view and pay bills, analyse electricity consumption trends, renew their contracts and manage account details, offering convenience and functionality to customers on the go.

Redefining Our Purpose

Sembcorp aims to play our part in creating a sustainable future. Our purpose is to not only do well, but also do good.

Enabling a Low-carbon and Circular Economy

Climate change and resource scarcity are becoming more pressing issues. Sembcorp is committed to playing our part in enabling a low-carbon and circular economy. We aim to maintain the highest standards of environmental management, reduce our greenhouse gas emissions intensity and grow our portfolio of low-carbon energy assets, while providing innovative business solutions to support a circular economy.



“ We successfully put up 119 units of wind turbine generators across an area of 700 square kilometres, connected them to the grid and completed the project ahead of schedule. With renewable energy, it is possible to have blue skies and clean air while contributing to India’s economic development and growth. ”

Ankur Rajan
Chief Operating Officer
Sembcorp Green Infra



The 250-megawatt SECI 1 project marks the first delivery of installed capacity awarded under India’s nationwide wind power tenders. Completed ahead of schedule, it is estimated that SECI 1 will light up more than 216,000 homes and reduce carbon dioxide emissions by over 700,000 tonnes per annum.

Empowering Our People and Communities

We seek to empower our people and communities. We believe in creating a values-based and performance-led culture at Sembcorp, where health and safety is an integral part of our everyday business. Through engagement and partnerships, we aim to make a lasting positive impact on our communities.



“ The VSIP projects are a very good example of what strong partnership and close cooperation among governments, businesses and communities can bring about. When everyone works towards the common good, synergies happen and everyone benefits. ”

Anthony Tan
Deputy General Director
Vietnam Singapore
Industrial Park JV



Since its founding in 1996, Vietnam Singapore Industrial Park (VSIP) has flourished and has become a leading developer with seven sites across Vietnam. The VSIP projects have attracted US\$12.9 billion in investments from over 800 multinational companies and leading local enterprises, resulting in more than 241,000 jobs created.

Embedding Responsible Business Practices

Sembcorp maintains an effective governance and decision-making structure that embeds responsible business practices within the organisation. We are committed to fostering an ethical culture and conducting our businesses with integrity. We recognise the importance of the effective identification of risks, and work hard to ensure we have an adequate and effective risk management and internal control system.

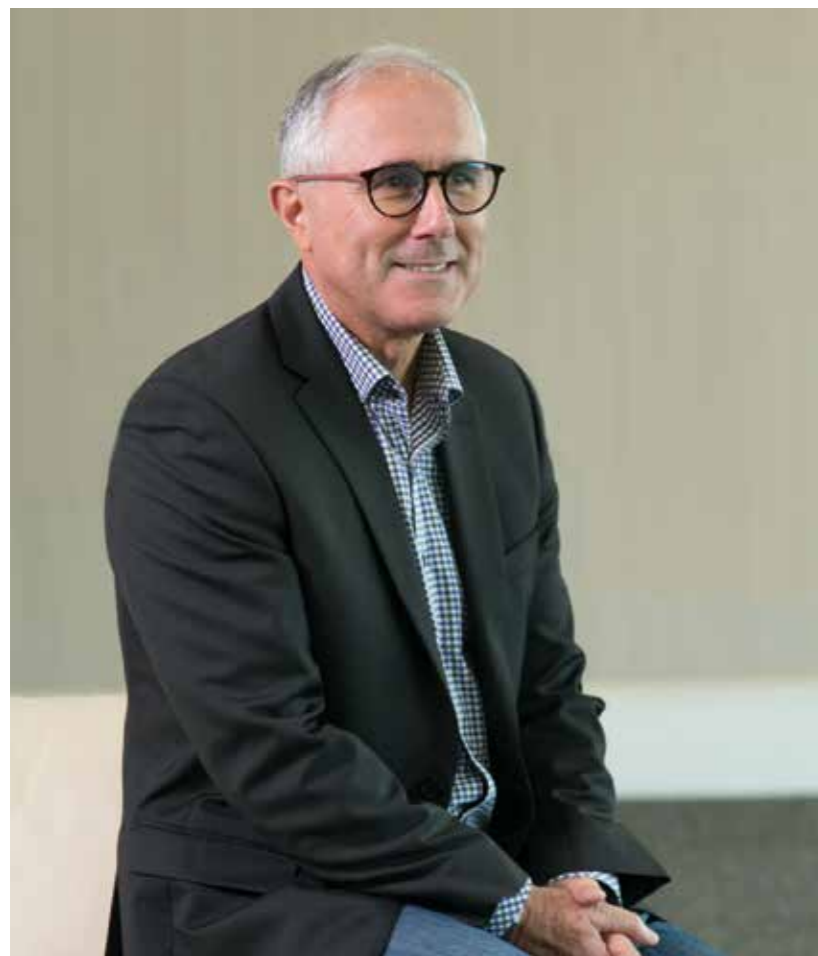


“ Responsible business practices support the long-term viability of our businesses and build trust and confidence with our stakeholders. We are committed to conducting our business legally, fairly, honestly and with integrity, and expect the same of those with whom we do business. ”

Looi Lee Hwa
General Counsel and Head
of Legal & Compliance
Sembcorp Industries



Sembcorp believes in maintaining high standards of behaviour and integrity, and being best in class for governance practices. In 2018, we rolled out the revised Code of Conduct and provided training. By year end, over 99% of our employees have acknowledged their compliance with the Code.



My goal is to reshape the Group and build a strong, balanced portfolio of businesses that are aligned with market trends and society's demands, support sustainable development and deliver value for our stakeholders.

Neil McGregor
Group President & CEO

Since you took over as head of the Sembcorp Group, how has the Group transformed? What are your top priorities as CEO?

As CEO, my biggest task is to reposition Sembcorp for the future. My goal is to reshape the Group and build a strong, balanced portfolio of businesses that are aligned with market trends and society's demands, support sustainable development and deliver value for our stakeholders. We have outlined our vision to become an integrated energy and urban development company of the future, as well as the region's leading independent renewable energy company.

A year into the announcement of Sembcorp's new Group direction, our strategies have taken shape. However, they will take time to bear fruit, especially given the prolonged offshore and marine downturn.

In the immediate term, my focus continues to be on managing our portfolio for better performance and returns as well as strengthening our balance sheet. We will maintain a disciplined approach to capital management and push on with our divestment programme to recycle capital. To date, we have unlocked cash proceeds of just under S\$200 million. This is close to 40% of the S\$500 million of divestments that we target by 2020.

Internally, our transformation is also well underway. We have brought in new capabilities that Sembcorp needs for the future, such as stronger digital as well as merchant and retail capabilities. We have reorganised our team and operating model for greater flexibility, deepened our bench strength and improved succession planning within the Group. As a company, we have also renewed our purpose and values and made concerted efforts to

rally our employees around our shared objectives. Our people are energised, ready for the challenge, and committed to turn our vision into reality.

Your Utilities business performed well this year. Tell us more about its efforts to adapt and thrive amid a global energy industry in transition, and how its plan is bearing fruit.

Decarbonisation, decentralisation, digitalisation and demand disruption have made an indelible mark on the energy sector. The global fuel mix is shifting, with green energy becoming mainstream. Power is being generated and delivered to customers in new ways, and advancements in technology and the falling cost of renewables are changing the face of the industry.

Against this backdrop, Sembcorp's plan to reposition our Utilities business is timely, and absolutely critical to the success of the Group. We aim to develop the business into a leading integrated energy player, focused on the Gas & Power, Renewables & Environment, and Merchant & Retail energy segments. In doing so, we will capitalise on existing capabilities within the business, and build on our deep integration expertise across the energy and utilities value chain.

Already, our strategy is showing results. This year, our Utilities business more than doubled its profit to S\$312 million, on the back of divestment gains and profit growth from the underlying business.

The business has also taken steps to build a mix of capabilities that is highly relevant in today's market. These include solutions for companies, households and countries across the energy and utilities value chain, with enhanced expertise in areas such as renewable energy, behind-the-meter solutions, flexible and fast-response power, and energy storage. This puts us in a good position to seize the opportunities provided by a changing global energy landscape to innovate and grow our business for the long term.

Despite intense competition in the power market, your Singapore operations have continued as a major profit contributor and have achieved several milestones in 2018. Tell us more about your strategy here.

It has been an exciting time for our business in Singapore, where the energy and utilities space has gone through a number of changes. As an established player and trusted household name in the country, Sembcorp's strategy is to go where the market is going, seizing opportunities and expanding our capabilities to maintain our edge over the competition.

As part of this, we have been shifting our business closer to the customer. For instance, we now offer distributed power, such as rooftop solar solutions for companies. We have also entered the Open Electricity Market as a power retailer to households.

Sembcorp's strategy is to go where the market is going, seizing opportunities and expanding our capabilities to maintain our edge over the competition.

A key focus has been to expand our capabilities to help future-proof our business. The growth of our renewable energy business is a good example. With Singapore ramping up its adoption of solar energy, Sembcorp has built up our team and track record, securing over 120 megawatt peak of projects across more than 1,500 sites. Another case in point is the extension of our capabilities in natural gas. To our well-established piped natural gas business, we have now added liquefied natural gas spot imports. This has allowed us to diversify our gas supply, with more opportunities for optimisation, and to extend our service to a wider range of customers.

Given the integrated nature of our energy and utilities business in Singapore, there may also be scope to strengthen our value proposition with innovative solutions that promote sustainable resource management. We are keen to explore such opportunities, which

could support the country's progress towards a low-carbon and circular economy.

2018 was a difficult year for Sembcorp Marine. What is your outlook for this business?

While the outlook for the oil and gas sector has improved somewhat, in the immediate term, the environment for marine and offshore players continues to be highly challenging. Yard volumes remain significantly below peak levels. Competition remains intense and realistically, it will take time before orders see a sustained recovery.

The Marine business has channelled its efforts and investment to areas it views as critical for it to ride out the downturn and strengthen its long-term position. It has diversified to remain relevant in a competitive market. It has retooled, improved its engineering expertise and targeted new customer segments. New capabilities at its Tuas Boulevard Yard have enabled it to take on jobs it could not perform in the past, and stronger engineering abilities have equipped it to offer designs and solutions that can improve customers' project economics.

We believe in the value and capabilities Sembcorp Marine has built up over more than 50 years, and are committed to protecting this value for our shareholders.

In addition, the business is committed to managing its cost, including manpower requirements, and optimising its capacity utilisation.

From the Group's perspective, we are taking a long-term view. We recognise that the Marine business and the protracted sectoral downturn it is facing have had an impact on the Group's performance and balance sheet. But at the end of the day, we believe in the value and capabilities Sembcorp Marine has built up over more than 50 years, and are committed to protecting this value for our shareholders.

Your Urban Development business has come of age and has been contributing well to the Group. Can you talk about its strategy for further growth?

Sembcorp's Urban Development business adds value to host markets and supports their industrialisation plans, with its broad experience in conceptualising and developing large-scale integrated townships and industrial parks. The Urban Development arm's good performance is also the result of its ability to attract foreign direct investment, which is an important driver of economic growth for developing countries.

As Sembcorp's industrial parks mature and our host markets become more economically advanced, we see more potential for innovation in our projects. For instance, we are now developing high-tech parks and business hubs with enhanced facilities and services to attract high-value investments. This has built up greater breadth in our Urban Development business. We also offer a variety of options for industrial and business space, for lease or sale.

As our projects accelerate development locally, communities have sprung up around them. We have been able to participate in the urbanisation of these areas, with selective investments in residential properties that we either develop ourselves or through joint ventures. Over the years, we have also seen growth in our sale of commercial and residential land to third-party developers.

Moving forward, we see more potential for synergies between our Urban Development and Utilities businesses, in the provision of advanced energy and utilities solutions. The Urban Development business is in a good position to introduce smart utilities initiatives in its projects such as renewable energy technologies, smart metering and sustainable water management. These could help our integrated developments become sustainable, low-carbon and energy-efficient cities of the future. We would be keen to explore the feasibility of incorporating such solutions into our projects.

Can you share more about your philosophy in investing in technology and your efforts to transform Sembcorp into a more digital organisation?

Embracing digital technologies is critical if we want to stay ahead of the game. Developments in artificial intelligence (AI), machine learning, cloud computing, the internet of things (IoT), blockchain and robotic process automation, underpinned with cybersecurity, are disrupting most industries, including ours. These technologies are also enabling new business models that offer competitive advantages to early adopters.

Sembcorp is actively building our digital capabilities around four themes: establishing a strong and secure information technology foundation, digitising our business, embedding innovation, and managing the digital journey and change. For example, we have built insight platforms using machine learning and AI to radically improve how we operate and optimise our thermal and renewable assets. These platforms run on an advanced, secure data lake that has over 200,000 IoT sensors streaming real-time operational data from multiple markets.

The majority of our investment in research and development is going towards building intellectual property that will help improve how we maintain and optimise our assets and reduce greenhouse gas emissions in our energy business. For example, we are developing drones and AI to help us maintain our pipelines and equipment – faster and more accurately than the manual checks that are being done today. Some of the initiatives that we are currently driving, such as our work in advanced predictive analytics, are the first of their kind in the energy sector. These could help differentiate us in our industry.

Tell us more about your sustainability ambitions, and why these are important for Sembcorp?

I have always believed that the best companies must not only aim to do well, but also to do good.

In 2018, Sembcorp redefined our aspirations as a Group in terms of three sustainability ambitions. Firstly, we aim to enable a low-carbon and circular economy. Secondly, we aspire to empower our people and communities. Thirdly, we commit to embedding responsible business practices throughout our organisation. These three ambitions underpin our purpose, articulate our priorities, and demonstrate how we seek to create value within our business, and for society.

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Committing to these sustainability ambitions makes good business sense for Sembcorp. Aligning our goals, activities and services to the needs of society means that we stay relevant. Tightening our management of risks and opportunities on the environmental, social and governance front also puts us in a better position to protect and enhance value for our stakeholders and succeed long-term as a Group.

This is not only the right thing to do for our company, but also for our world.

By 2030, the global population will surpass 8.5 billion. Seven out of every 10 people will live in cities. Demand for energy and water, sustainable infrastructure and environmental solutions will soar, even as climate change and weather disruptions exert greater pressure on our societies and resources. Countries, companies, communities and individuals must take urgent action today to prepare for this eventuality.

Sembcorp is playing our part. We want to be part of the solution, and help secure our collective future. This is part of how we are actively embracing change and enabling a sustainable tomorrow for our company, and for the world.

Driving Digitalisation and Innovation

Technology developments in artificial intelligence (AI), machine learning, cloud computing, internet of things (IoT), blockchain and robotic process automation, underpinned with cybersecurity, are disrupting most industries, including ours. Sembcorp continues to innovate and is embracing digital

Establishing a Strong and Secure IT Foundation

Enhancing cybersecurity and improving the flexibility and reliability of our information technology (IT) infrastructure by building a future-ready IT foundation and architecture.

Moving to the Cloud

Ability to rapidly deploy and scale applications with the migration of over half of our existing enterprise systems and applications to a highly secure, flexible and cost effective cloud environment



Cybersecurity Framework

Implemented a framework based on the National Institute of Standards and Technology (NIST) to provide a common language and systematic methodology for managing cybersecurity risk

Digitising the Business

Improving efficiency, productivity and the customer experience with investments in business process engineering, optimisation and robotic process automation.

Fully-automated Drones

Pipeline inspections and fuel stockpile analyses will be carried out more efficiently and accurately by fully-automated drones equipped with highly specialised cameras, sensors and AI for image analysis



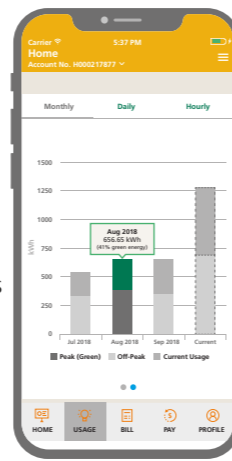
Business Process Automation Bots

Increased productivity through the automation of repetitive processes, such as data verification and entry, by software robots



Customer-centric Mobile Application

Retail customers can monitor electricity consumption and manage their accounts easily with the Sembcorp Power app, which provides a rich digital experience



Intelligent Wastewater Processing

Consistent and reliable execution via a patented intelligent platform that digitises standard operating procedures, with over 100 machine learning models that help improve operation of industrial wastewater plants



technologies to create competitive advantage and strengthen our position as a leading energy, marine and urban development group. We are actively broadening and deepening our digital capabilities around four themes.

Embedding Innovation in Our Business

Innovation is key to the success of digitalisation. We are developing differentiated solutions to improve plant and business operations through a team of experienced data scientists and engineers. We are also incubating cutting-edge technologies by partnering with tertiary institutions, research institutes and government agencies.

Research & Development

Our R&D identifies and develops novel technologies to improve how we maintain and optimise our assets as well as reduce greenhouse gas emissions. We also partner the Energy Market Authority to encourage translation and commercialisation of new intellectual property, and develop enhanced capabilities for Singapore's energy sector



Data Lake

Ability to build and deploy analytic applications much faster, because of our data lake – a highly secure and single source of truth repository of real-time operational data from over 200,000 IoT sensors across our global power, water and renewables businesses

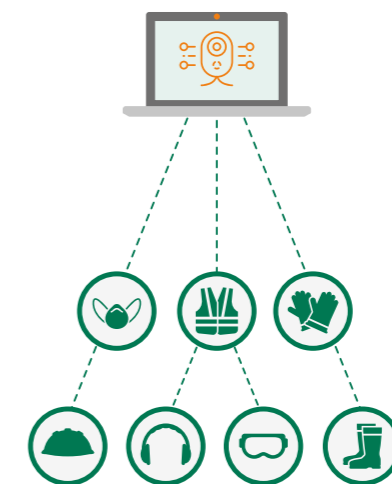
Asset Optimisation and Improvements

Developing insight platforms using machine learning and AI to improve how we operate and optimise our thermal and renewable assets. For example, the Sembcorp Virtual Brain combines machine learning and engineering processes to proactively identify and enhance plant performance



Automated Detection of Potential Hazards

Health, Safety, Security and Environment event detection applies computer vision to video footage to detect potential hazards to improve operator safety

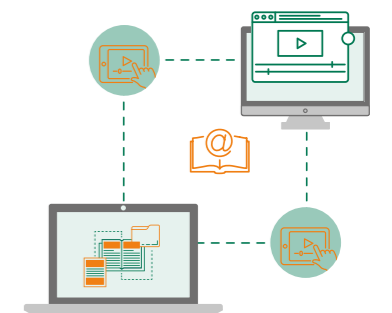


Managing Our Digital Journey and Change

Creating a digital workplace of the future by introducing advanced digital solutions and investing in employee upskilling.

E-Learning Platform

Employees can pick up new skills easily through our partnership with a leading employee e-training provider



Our Value Creation Process

