Embracing Change Enabling the Future

Sembcorp Industries Annual Report 2018

sembcorp

Group FY2018 Highlights

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

EBITDA ▼16%
S$1,279 million
US$934 million

Profit from Operations ▼22%
S$841 million
US$614 million

Net Profit ▼9%
S$347 million
US$253 million

Return on Equity
5.1%

Total Dividend
4.0 cents
per ordinary share

Utilities
100%

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

Profit from Operations ▲26%
S$820 million
US$599 million

Net Profit ▲123%
S$312 million
US$228 million

Marine*
61%**

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

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

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

Urban Development
100%

Turnover ▼58%
S$5 million
US$4 million

Profit from Operations ▲4%
S$94 million
US$69 million

Net Profit ▲4%
S$86 million
US$63 million

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 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

Embracing Change, Enabling the Future

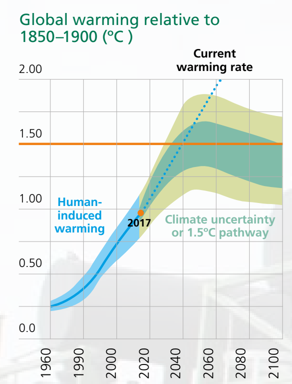
Repositioning Sembcorp

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.

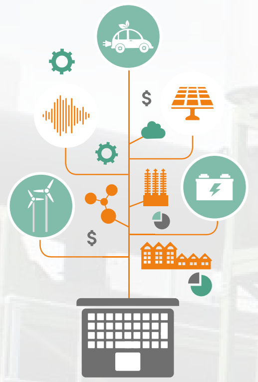


Sustainable Development

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

1 Reposition

Review / establish strategies and business models

Refocus businesses, strengthen performance and balance sheet

Reshape the organisation and enhance capabilities

2 Grow

Pursue growth strategies

Deepen reach and expand in existing and growth markets

Active and systematic capital recycling

3 Achieve Sustainable Value Creation

Our Priorities | Our Progress

Performance

Our Priorities	Utilities	Marine	Urban Development
Lifting Performance and Returns	Profit growth of 123% from 2017, up 23% excluding exceptional items India turnaround to profitability	Work volume significantly below peak levels and competition remained intense	Net profit up 4% from 2017, second year of record earnings Record net orderbook secured, up 69% from 2017
Reshaping Portfolio	Deepening presence in key markets of Singapore, India and the UK, notably in the gas & power, renewables and flexible generation businesses	Moving up the value chain with entry into new product segments, such as renewable energy engineering solutions	Pursuing adjacencies and offering new business models such as specialised business hubs and smart developments
Strengthening Balance Sheet	Unlocking value through divestments: cash proceeds of ~S$200 million in 2018		

Sustainability

Our Priorities	Utilities	Marine	Urban Development
Establishing Climate Change Strategy	A climate change strategy was established with targets that include • Reducing greenhouse gas (GHG) emissions intensity to 0.42 tonnes of carbon dioxide equivalent per megawatt hour (tCO_2e/MWh) by 2022 and to <0.40 tCO_2e/MWh by 2030 • Increasing renewables capacity to ~4,000 megawatts by 2022		
Growing Renewables and Other Green Solutions	Renewable energy capacity now 2,600 megawatts, up ~20% from end-2017; entry into battery storage	A leading solar player in Singapore with over 20 megawatt peak capacity	More than 1,700 megawatts of renewable energy capacity in India; first to deliver a SECI wind project
Embedding Sustainability in the Organisation	New Key Performance Indicator Framework incorporates Environmental, Social & Governance (ESG) components		

Dynamic Organisation

Our Priorities			
Building and Deepening Capabilities	Building leadership bench strength		
	Augmenting Capabilities:		
	Merchant & Retail	Digital & Technology	Risk Management & Compliance
Digitalising and Entrenching Innovation	Establishing a strong and secure IT foundation	Digitising the business to improve efficiency, productivity and customer experience	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.

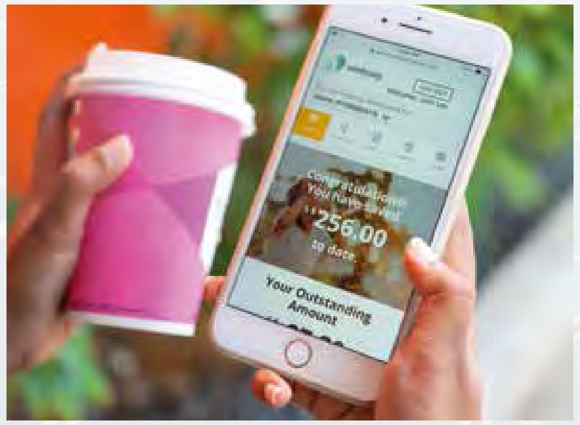
Case Study

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.

Embracing Change, Enabling the Future

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.

CEO Interview

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.

Embracing digital technologies is critical if we want to stay ahead of the game. These technologies are enabling new business models that offer competitive advantages to early adopters.

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 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.

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

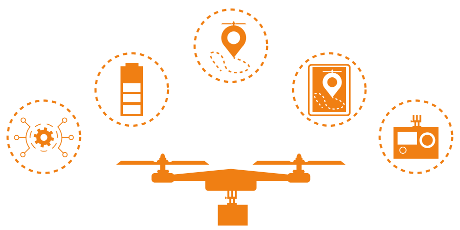
Implemented a framework based on the National Institute of Standards and Technology (NIST) to provide a common language and systematic methodology for managing cybersecurity risk

Digitising the Business

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

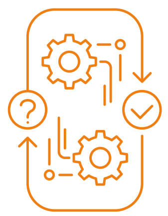
Fully-automated Drones

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



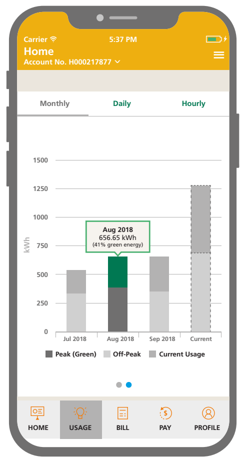
Business Process Automation Bots

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

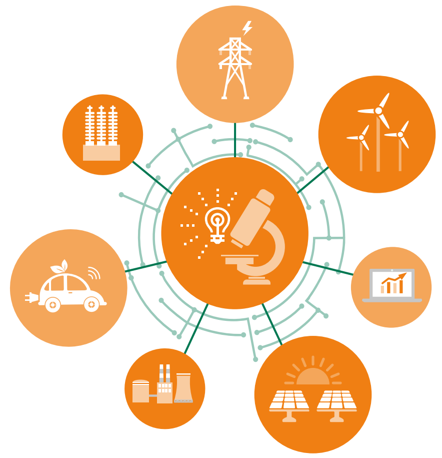
Consistent and reliable execution via a patented intelligent platform that digitises standard operating procedures, with over 100 machine learning models that help improve operation of industrial wastewater plants

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.

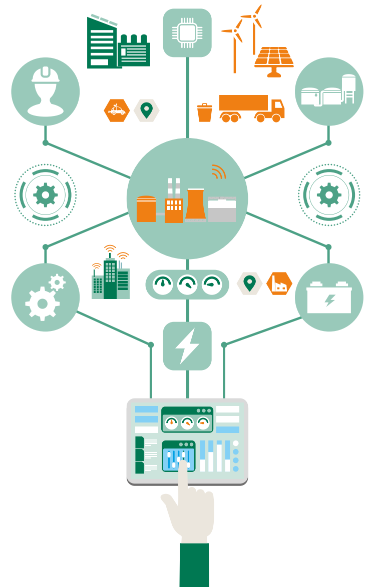
Research & Development

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



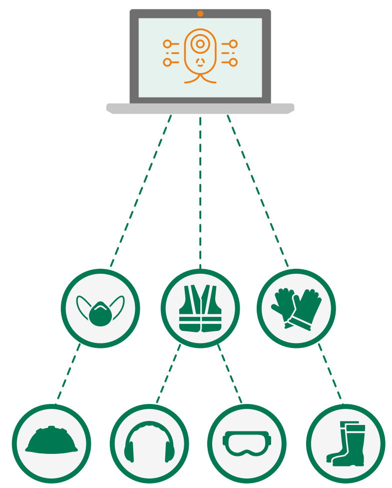
Asset Optimisation and Improvements

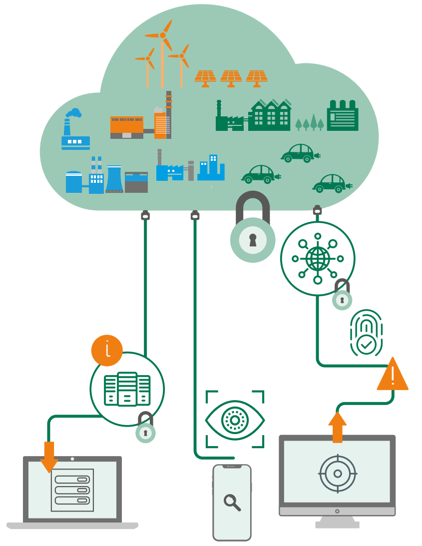
Developing insight platforms using machine learning and AI to improve how we operate and optimise our thermal and renewable assets. For example, the Sembcorp Virtual Brain combines machine learning and engineering processes to proactively identify and enhance plant performance



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





Data Lake

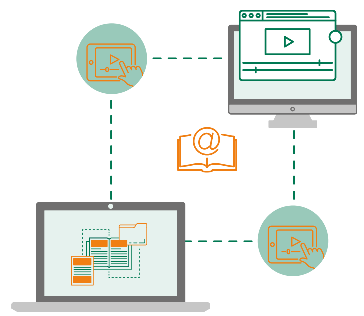
Ability to build and deploy analytic applications much faster, because of our data lake – a highly secure and single source of truth repository of real-time operational data from over 200,000 IoT sensors across our global power, water and renewables businesses

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

INPUTS

Financial Capital
e.g. cash flow from operations, internal funds and external short-term and long-term financing

Human Capital
e.g. people with deep knowledge and strong capabilities, and employees who embody the Sembcorp culture

Social and Relationship Capital
e.g. relationships with stakeholders, and Sembcorp's brand and values

Manufactured Capital
e.g. utilities facilities and shipyards

Intellectual Capital
e.g. intellectual property, technologies and proprietary solutions, group-wide policies and frameworks, and standardised systems and processes

Natural Capital
e.g. thermal energy resources (such as natural gas and coal), renewable resources (such as wind and solar) and land

PURPOSE & STRATEGY

Sembcorp's purpose and passion is to do good and play our part in creating a sustainable future. We deliver energy and innovative solutions that support development and create value – for our stakeholders and communities.

Our Strategic Pillars

Performance
- Disciplined capital allocation
- Systematic capital recycling
- Active management and optimisation of assets
- Strong business models

Sustainability
- Aligned with and contributing to the United Nations' Sustainable Development Goals (SDGs)
- Participation in the low-carbon and circular economy
- Management of ESG risks and opportunities

Dynamic Organisation
- A scalable global operating model
- Capability development and process excellence
- Technology and digitalisation
- Dynamic high performance culture with integrity at our core

OUR BUSINESSES & BUSINESS MODELS

Utilities
- Gas & Power
- Renewables & Environment
- Merchant & Retail

- Reposition to be a global integrated energy player
- Focus on growth along three business lines (Gas & Power, Renewables & Environment, Merchant & Retail) that will benefit from the global energy transition

Read more on pages 44 to 51

Marine
- Rigs & Floaters
- Repairs & Upgrades
- Offshore Platforms
- Specialised Shipbuilding

- Offer diversified solutions for the offshore & marine industry, and enhance competitiveness through technology and innovation
- Leverage strong track record and integrated yard facilities for quality and on-time delivery to strengthen position as a leading player in the global market

Read more on pages 52 to 59

Urban Development
- Industrial Parks
- Integrated Townships
- Business Hubs & Smart Developments

- Leverage core competency in transforming raw land into self-sufficient urban developments and building on strong brand name to attract high-quality local and international investments
- Enhance value of land bank, such as through the development of commercial and residential real estate at choice sites

Read more on pages 60 to 67

OUTPUTS & OUTCOMES

Our Sustainability Ambitions

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 innovating our business solutions to support a circular economy.

Empowering Our People and Communities
We value and 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.

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.

The Value We Create

Providing integrated energy solutions across the energy and utilities value chain

- **12.5 Gigawatts** in power capacity, supplying electricity to businesses and homes in 9 countries
- **2.6 Gigawatts** in renewable wind and solar power capacity
- **8.8m m^3/day** in water & wastewater treatment capacity, serving the needs of industrial and municipal customers

Offering innovative engineering solutions across the offshore, marine and energy value chain

- **>50 Years** of proven track record in providing quality solutions to customers
- **296 Vessels** repaired or upgraded in 2018
- **6 Countries** with strategically located shipyards and facilities

Delivering the economic engine to support industrialisation and urbanisation

- **14 Projects** in Vietnam, China, Indonesia and India
- **1,084 Tenants** comprising multinational companies and leading local enterprises
- **37bn US$** in direct investments attracted

OUR STAKEHOLDERS

- Customers
- Employees
- Financial Institutions
- Governments and Regulators
- Shareholders and the Investment Community
- Communities
- Contractors, Suppliers, Trade Unions and Industry Partners

Operating and Financial Review

In Singapore, Sembcorp is an established power generator and retailer with over 15 years of track record. We are a leading solar power player in the country, and the retail power plans we offer have renewable energy attributes blended in

Group Financial Review

Group Financial Highlights

	2018	2017[#]	Change *(%)*
For the Year *(S$ million)*			
Turnover	**11,689**	9,026	30
Earnings before interest, tax, depreciation and amortisation (EBITDA)[1]	**1,279**	1,523	(16)
Profit from operations	**841**	1,084	(22)
– Earnings before interest and tax	**667**	920	(28)
– Share of results: Associates & JVs, net of tax	**174**	164	6
Profit before tax	**420**	611	(31)
Net profit	**347**	383	(9)
Economic value added[2]	**(401)**	(356)	13
Return on total assets *(%)*	**3.6**	4.4	(18)
Return on equity *(%)*	**5.1**	5.8	(12)
Capital Position *(S$ million)*			
Owners' funds	**5,987**	5,941	1
Total assets	**23,321**	23,745	(2)
Net debt	**8,807**	7,160	23
Operating cash flow	**739**	651	14
Free cash flow	**948**	1,124	(16)
Capital expenditure and equity investment	**2,009**	704	185
Total debt-to-capitalisation ratio	**0.57**	0.55	4
Total debt-to-capitalisation ratio (less cash and cash equivalents)	**0.47**	0.40	18
Interest cover *(times)*	**2.5**	2.9	(13)
Shareholder Returns			
Net assets per share *(S$)*	**3.80**	3.88	(2)
Earnings per share *(cents)*	**16.98**	19.06	(11)
Ordinary dividend per share *(cents)*	**4.0**	5.0	(20)
Payout ratio *(%)*	**23.6**	26.2	(10)
Last traded share price *(S$)* as at December 31	**2.54**	3.03	(16)
Total shareholder returns *(%)*	**(14.9)**	8.8	NM

[#] In accordance with SFRS(I)

For the financial year 2018, Sembcorp Industries has adopted the Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS) frameworks, as well as the new accounting standards that are effective on January 1, 2018.

SFRS(I) and IFRS are issued by the Accounting Standards Council and the International Accounting Standards Board respectively. SFRS(I) comprises standards and interpretations that are equivalent to IFRS. In our report, all references to SFRS(I) and IFRS are referred to as SFRS(I) unless otherwise specified. In addition, 2017 financial figures presented in accordance with SFRS(I) have been stated for comparison against 2018 financial figures, and are marked 2017[#] in the tables and charts in this section of the report.

The application of SFRS(I) 15 accounting standard to our 2017 financial figures mainly impacted the Marine business. For the Marine business, this has resulted in differences in the timing of revenue and cost of sales recognition for certain contracts. In 2017, when these contracts were terminated and new contracts were entered into, the revenue and related cost of sales were recognised. However, with SFRS(I) 15, the previously recognised revenue and related cost of sales were reversed, and will now be recognised upon the transfer of legal title to customers.

[1] EBITDA excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-offs

[2] 2017 economic value added has not been adjusted for the adoption of SFRS(I) 15

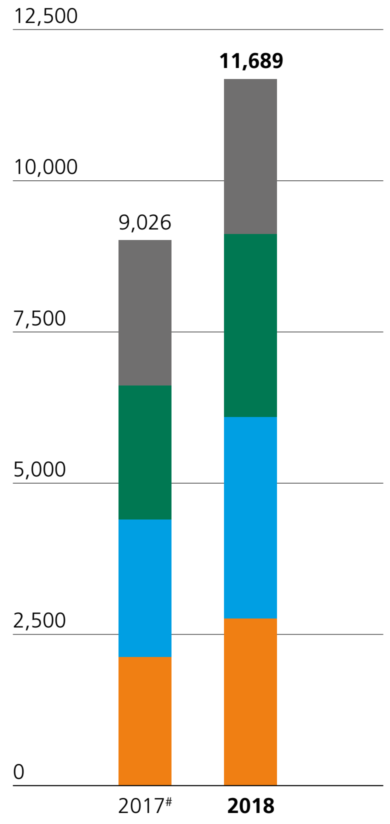
Group Quarterly Performance *(S$ million)*

	2018 1Q	2018 2Q	2018 3Q	2018 4Q	2018 Total	2017[#] 1Q	2017[#] 2Q	2017[#] 3Q	2017[#] 4Q	2017[#] Total
Turnover	**2,758**	**3,343**	**3,022**	**2,566**	**11,689**	2,122	2,281	2,218	2,405	9,026
Earnings before interest, tax, depreciation and amortisation (EBITDA)[1]	**286**	**268**	**370**	**355**	**1,279**	345	332	494	352	1,523
Profit from operations	**213**	**192**	**217**	**219**	**841**	269	218	304	293	1,084
– Earnings before interest and tax	**171**	**137**	**180**	**179**	**667**	211	184	277	248	920
– Share of results: Associates & JVs, net of tax	**42**	**55**	**37**	**40**	**174**	58	34	27	45	164
Profit before tax	**116**	**89**	**119**	**96**	**420**	145	91	189	186	611
Net profit	**77**	**82**	**82**	**106**	**347**	116	56	93	118	383
Earnings per share *(cents)*	**3.64**	**3.94**	**3.98**	**5.42**	**16.98**	5.98	2.57	4.55	5.96	19.06

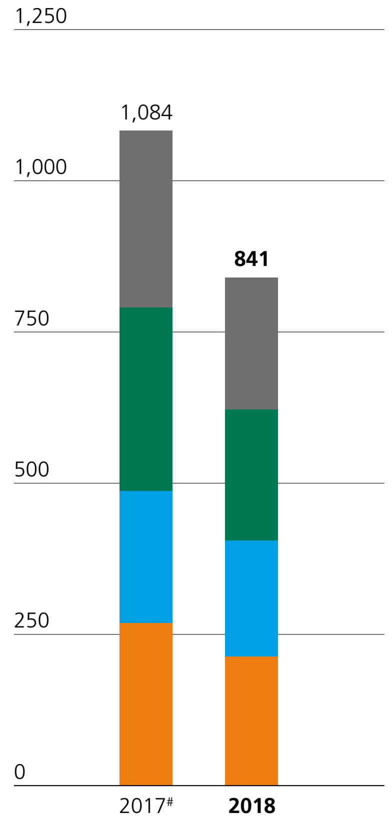
[#] In accordance with SFRS(I). Please see page 28 for details

[1] EBITDA excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-offs

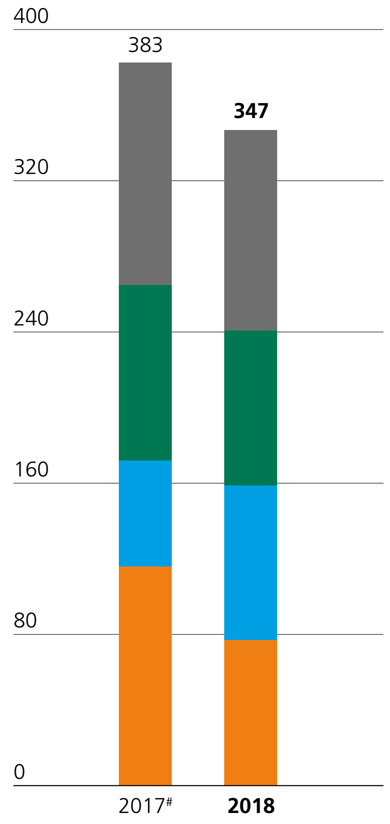
Turnover *(S$ million)*



Profit from Operations *(S$ million)*



Net Profit *(S$ million)*



First quarter   Second quarter   Third quarter   Fourth quarter

Group Financial Review

Five-year Financial Performance Profile

2018
Sembcorp recorded net profit of S$347 million and turnover of S$11,689 million in 2018. Compared to 2017, turnover, in accordance with SFRS(I), was S$2,663 million or 30% higher, while net profit was S$36 million or 9% lower. 2017 net profit, in accordance with SFRS(I), was S$383 million compared to the previously reported net profit of S$231 million.

In 2018, the Utilities business contributed net profit of S$312 million to the Group, compared to S$140 million in 2017. Underlying net profit, before exceptional items, was S$321 million, up 23% compared to S$261 million in 2017, with Singapore, China and India being the main contributors. The India utilities business posted a net profit of S$47 million in 2018 compared to a loss of S$58 million in 2017. China's operations benefitted from a higher plant load factor at Chongqing Songzao power plant and a full year's contribution from Changzhi Total Water Management Plant, which commenced operations in September 2017. However, the increase in 2018 net profit was partially offset by provisions made for the delayed start-up of the Sembcorp Myingyan Independent Power Plant in Myanmar and losses at UK Power Reserve (UKPR).

Exceptional losses recorded by the business in 2018 amounted to S$9 million, lower than the 2017 exceptional losses of S$121 million. 2018 exceptional items comprised S$23 million of divestment gains recognised from the sale of various businesses, S$25 million of additional provision for potential fines and claims at an overseas water business, and a non-cash S$7 million expensing of capitalised cost at UKPR upon refinancing in December.

The Marine business reported a loss of S$48 million in 2018, compared to a net profit in 2017 of S$157 million, in accordance with SFRS(I). 2017 previously reported net profit was S$7 million. The business' loss in 2018 was mainly due to loss from the sale of a semi-submersible rig and continued low overall business volume. This was partially offset by margin recognition from newly secured production floater projects and delivery of rigs. 2017 net profit was higher due to the net positive effects of contract terminations, which arose from entitlement to down payments on termination of five rig contracts and a one-off gain on disposal of its equity stake in Cosco Shipyard Group.

Meanwhile, the Urban Development business continued to deliver good performance with steady contributions from Vietnam and China. 2018 net profit was S$86 million, slightly higher than net profit of S$83 million in 2017.

Return on equity for the Group was 5.1% and earnings per share amounted to 16.98 cents.

2017
Sembcorp posted net profit of S$231 million and turnover of S$8,346 million in 2017, compared to S$395 million and S$7,907 million respectively in 2016.

In 2017, the Utilities business contributed S$140 million in net profit to the Group, compared to S$348 million in 2016. On an underlying basis, the business delivered net profit of S$261 million. Singapore operations continued to perform well, mitigating the weak performance of our second thermal power plant in India, and the absence of contribution from the Yangcheng power project in China following the expiry of its cooperative joint venture agreement. Singapore operations were also the largest contributor to the Utilities business' net profit before exceptional items.

Exceptional losses recorded by the business in 2017 amounted to S$121 million. These included a provision of S$25 million for potential fines and claims at an overseas water business, impairment charges of S$56 million mainly relating to assets and investments in Singapore, as well as S$39 million in refinancing cost incurred for our second thermal power plant in India.

The exceptional gain recorded by the business in 2016 amounted to S$3 million, comprising S$34 million from a gain on divestment of a municipal water operation in Yancheng, China, less S$31 million in refinancing cost for our first thermal power plant in India.

The Marine business' net profit contribution to the Group was S$7 million in 2017, compared to S$48 million in 2016. The business' lower net profit in 2017 was mainly due to lower overall business volume, especially in rigs & floaters and offshore platforms, which impacted the absorption of overhead costs, and additional cost accruals for floater projects which are pending finalisation with the customers, partially offset by divestment gains and a lower share of losses from associates and joint ventures.

Meanwhile, the Urban Development business reported a net profit of S$83 million, up from S$33 million in 2016. The business' strong performance was driven by higher contributions from all its operating markets and, in particular, higher sales in China.

Return on equity for the Group was 3.2% and earnings per share amounted to 10.51 cents.

2016
Sembcorp posted net profit of S$395 million and turnover of S$7,907 million in 2016, compared to S$549 million and S$9,545 million respectively in 2015.

In 2016, the Utilities business contributed S$348 million in net profit to the Group. 63% of this net profit was generated by overseas operations. Excluding exceptional items, the business delivered profit growth of 4% over 2015, backed by record profit in China of S$125 million. Exceptional gain recorded by the business in 2016 amounted to S$3 million, comprising S$34 million from a divestment gain on the sale of a municipal water operation in Yancheng, China, less S$31 million total refinancing cost for our first thermal power plant in India. Exceptional gain recorded by the business in 2015 amounted to S$370 million, comprising divestment gains of S$426 million from the sale of a waste management joint venture in Australia and municipal water operations in Bournemouth, the UK and Zhumadian, China, less S$56 million comprising S$31 million from the exit of the chemical feedstock business and impairment of assets in Singapore (net of settlement amounts from customers) and S$24 million in net allowance for doubtful debts in China.

The Marine business' net profit contribution to the Group was S$48 million in 2016, compared to a net loss of S$176 million in 2015. The business' net loss in 2015 was mainly due to write-downs of inventory and work-in-progress and provisions for foreseeable losses for rig building projects. Meanwhile, the Urban Development business reported net profit of S$33 million, comparable to the previous year.

2015
Sembcorp posted net profit of S$549 million and turnover of S$9,545 million for 2015, compared to S$801 million and S$10,895 million in 2014 respectively.

In 2015, the Utilities business delivered 72% growth in net profit to S$701 million compared to S$408 million in 2014. This increase was underpinned by growth from its overseas operations as well as gains from the sale of its Australian waste management joint venture and municipal water operations in Bournemouth, the UK and Zhumadian, China.

Meanwhile, at the Sembcorp Industries level, the Marine business incurred net loss of S$176 million in 2015 compared to net profit of S$340 million in 2014. The Urban Development business posted net profit of S$34 million compared to S$44 million in 2014.

2014
Sembcorp delivered a healthy performance in 2014 amid challenging market conditions. Net profit for the year was S$801 million, while turnover was S$10,895 million.

In 2014, the Utilities business reported net profit of S$408 million, compared to S$450 million in 2013. The business achieved 7% net profit growth over 2013, excluding gains from the initial public offering of Sembcorp Salalah Power and Water Company offset by an impairment made for operations in the UK.

The Marine business contributed S$340 million to the Group's net profit in 2014, compared to S$337 million in 2013. Meanwhile, the Urban Development business reported net profit of S$44 million, compared to S$50 million the previous year.

Note: 2017 financial figures presented in accordance with SFRS(I) are used to compare against 2018 financial figures

Group Financial Review

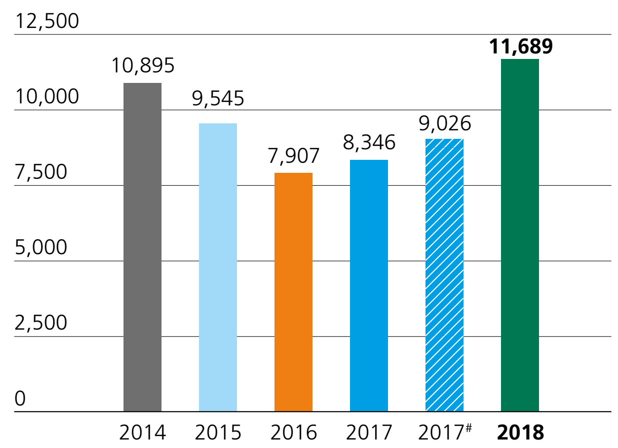
Five-year Financials

	2018	**2017#**	**2017**	**2016**	**2015**	**2014**
For the Year *(S$ million)*						
Turnover	**11,689**	9,026	8,346	7,907	9,545	10,895
Earnings before interest, tax, depreciation and amortisation (EBITDA)[1]	**1,279**	1,523	1,264	1,315	1,720	1,457
Profit from operations	**841**	1,084	795	909	631	1,297
– Earnings before interest and tax	**667**	920	631	784	625	1,139
– Share of results: Associates & JVs, net of tax	**174**	164	164	125	6	158
Profit before tax	**420**	611	312	537	426	1,246
Net profit	**347**	383	231	395	549	801
At Year End *(S$ million)*						
Property, plant and equipment and investment properties	**11,672**	11,158	11,249	11,287	8,706	7,749
Other non-current assets	**5,325**	4,095	3,869	3,379	3,602	3,297
Net current assets	**748**	2,159	2,259	1,609	1,661	773
Non-current liabilities	**(9,807)**	(9,238)	(9,161)	(8,112)	(5,926)	(4,587)
Net assets	**7,938**	8,174	8,216	8,163	8,043	7,232
Share capital and reserves (including perpetual securities)	**6,788**	6,944	6,969	6,702	6,433	5,616
Non-controlling interests	**1,150**	1,230	1,247	1,461	1,610	1,616
Total equity	**7,938**	8,174	8,216	8,163	8,043	7,232
Per Share						
Earnings *(cents)*	**16.98**	19.06	10.51	19.92	29.17	44.31
Net assets *(S$)*	**3.80**	3.88	3.90	3.75	3.60	3.15
Net ordinary dividends (including bonus dividends) *(cents)*	**4.0**	5.0	5.0	8.0	11.0	16.0
Financial Ratios						
Return on equity *(%)*	**5.1**	5.8	3.2	6.2	9.4	15.2
Return on total assets *(%)*	**3.6**	4.4	3.4	4.0	3.7	7.5
Interest cover *(times)*	**2.5**	2.9	2.4	3.3	7.2	20.8
Total debt-to-capitalisation ratio	**0.57**	0.55	0.55	0.53	0.46	0.40
Total debt-to-capitalisation ratio (less cash and cash equivalents)	**0.47**	0.40	0.40	0.42	0.35	0.26

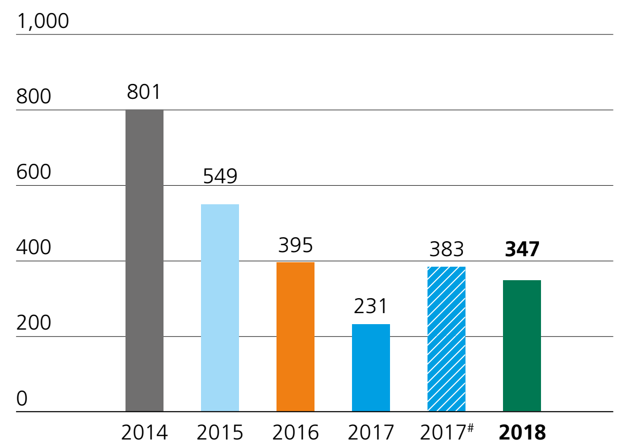
In accordance with SFRS(I). Please see page 28 for details

[1] EBITDA excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-offs

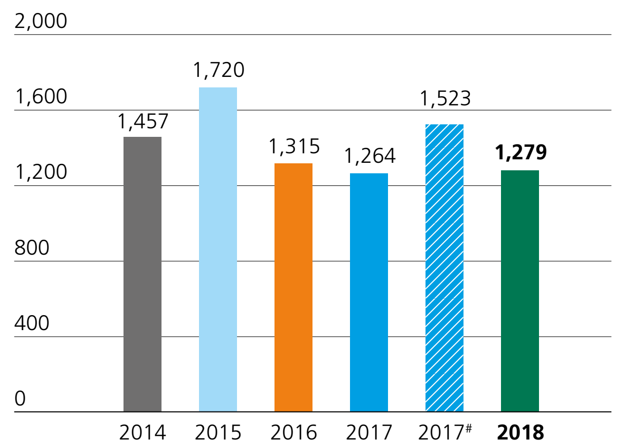
Turnover *(S$ million)*



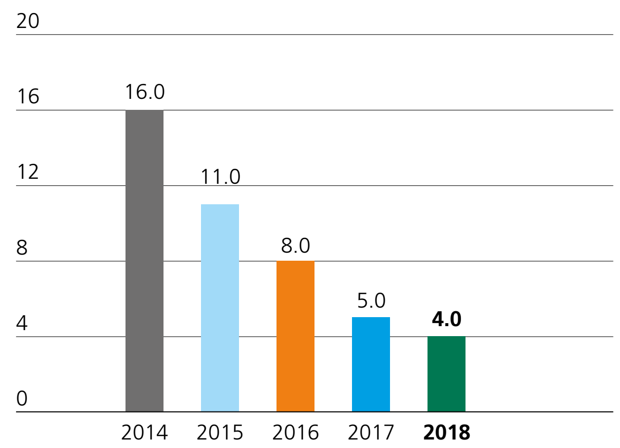
Net Profit *(S$ million)*



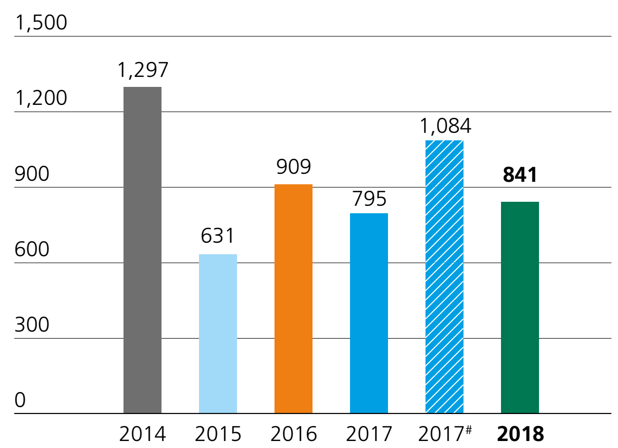
EBITDA *(S$ million)*



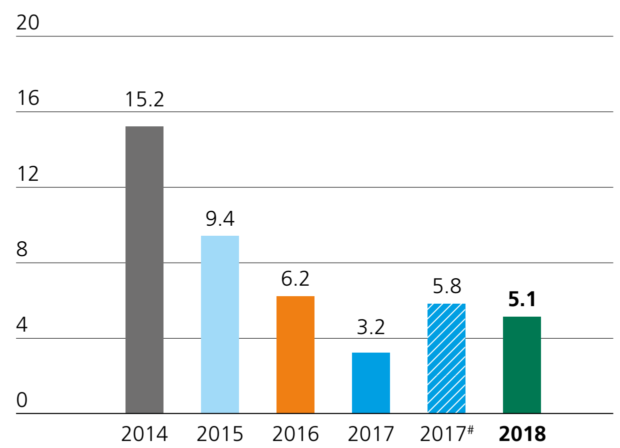
Net Ordinary Dividends Per Share *(cents)*



Profit from Operations *(S$ million)*



Return on Equity *(%)*



Group Financial Review

Review by Business *(S$ million)*

	2018	%	2017#	%	2017	%	2016	%	2015	%	2014	%
Turnover												
Utilities	**6,536**	**56**	5,697	63	5,670	68	4,111	52	4,227	44	4,850	44
Marine	**4,888**	**42**	3,035	34	2,388	29	3,544	45	4,968	52	5,831	54
Urban Development	**5**	**–**	8	–	8	–	7	–	8	–	7	–
Others / Corporate	**260**	**2**	286	3	280	3	245	3	342	4	207	2
	11,689	**100**	9,026	100	8,346	100	7,907	100	9,545	100	10,895	100
Profit from Operations												
Utilities	**820**	**98**	650	60	650	82	737	81	948	150	522	40
Marine	**(60)**	**(7)**	350	32	65	8	171	19	(342)	(54)	718	55
Urban Development	**94**	**11**	90	9	89	11	38	4	38	6	47	4
Others / Corporate	**(13)**	**(2)**	(6)	(1)	(9)	(1)	(37)	(4)	(13)	(2)	10	1
	841	**100**	1,084	100	795	100	909	100	631	100	1,297	100
Net Profit												
Utilities	**312**	**90**	140	36	140	61	348	88	701	128	408	51
Marine	**(48)**	**(14)**	157	41	7	3	48	12	(176)	(32)	340	42
Urban Development	**86**	**25**	83	22	83	36	33	9	34	6	44	6
Others / Corporate	**(3)**	**(1)**	3	1	1	–	(34)	(9)	(10)	(2)	9	1
	347	**100**	383	100	231	100	395	100	549	100	801	100

In accordance with SFRS(I). Please see page 28 for details

Performance Scorecard *(S$ million)*

	2018	2017#	Change *(%)*
Turnover	**11,689**	9,026	30
Earnings before interest, tax, depreciation and amortisation (EBITDA)[1]	**1,279**	1,523	(16)
Profit from operations	**841**	1,084	(22)
– Earnings before interest and tax	**667**	920	(28)
– Share of results: Associates & JVs, net of tax	**174**	164	6
Profit before tax	**420**	611	(31)
Net profit	**347**	383	(9)
Earnings per share *(cents)*	**16.98**	19.06	(11)
Return on equity *(%)*	**5.1**	5.8	(12)

In accordance with SFRS(I). Please see page 28 for details

[1] EBITDA excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-offs

Overview

Sembcorp posted net profit of S$347 million and turnover of S$11,689 million in 2018, compared to S$383 million and S$9,026 million respectively in 2017.

Turnover

The Group achieved turnover of S$11,689 million, with the Utilities and Marine businesses contributing 98% of total turnover.

The Utilities business' turnover was higher in 2018 compared to 2017. This was mainly due to stronger high sulphur fuel oil prices benefitting Singapore operations, higher volume and prices in India, higher generation in the UK and a full year's contribution from the Changzhi Total Water Management plant in China, which commenced commercial operation in September 2017. 2018 also includes the consolidation of UK Power Reserve (UKPR), our newly acquired business from June 2018. This increase was partially offset by lower service concession revenues for Myingyan in Myanmar and Sirajganj Unit 4 in Bangladesh, as these plants commenced commercial operation in phases during the year. The Marine business' turnover was S$1,853 million higher, attributable mainly to revenue recognition for the delivery of eight jack-up rigs, sale of a semi-submersible rig and newly secured projects. Excluding the effect of the delivery and sale of these rigs in 2018 and revenue adjustment in 2017 due to the termination of five rig contracts with customers, revenue would have been S$2,530 million, compared to S$2,550 million in 2017.

Net Profit

The Group recorded net profit of S$347 million in 2018 compared to S$383 million in 2017, while profit from operations was S$841 million compared to S$1,084 million in 2017.

In 2018, the Utilities business contributed S$312 million in net profit to the Group, compared to S$140 million in 2017.

On an underlying basis, the business delivered net profit of S$321 million, compared to S$261 million in 2017. The improvement was mainly due to our India operations, which turned around to profitability and posted net profit of S$47 million.

Exceptional losses recorded by the business in 2018 amounted to S$9 million. This comprised S$23 million of divestment gains, recognised from the sale of various businesses, S$25 million of additional provision for potential fines and claims at an overseas water business, and a non-cash S$7 million expensing of capitalised cost in UKPR upon refinancing in December.

Exceptional losses recorded by the business in 2017 amounted to S$121 million. These comprised a S$25 million provision for potential fines and claims at an overseas water business, impairment charges of S$57 million mainly relating to assets and investments in Singapore, as well as S$39 million in refinancing cost incurred for our second thermal power plant in India.

The Marine business recorded a loss of S$48 million in 2018, compared to a profit of S$157 million in 2017. 2018 net loss was mainly due to loss from the sale of a semi-submersible rig and continued low overall business volume. This was partially offset by margin recognition from newly secured production floater projects and delivery of rigs. In 2017, the net positive effects of contract terminations which arose from entitlement to down payments on termination of five rig contracts and a one-off gain on disposal of its equity stake in Cosco Shipyard Group, were recorded.

The Urban Development business continued to deliver good performance, with steady contributions from Vietnam and China.

Group Financial Review

Turnover *(S$ million)*

	2018	2017#
Utilities	**6,536**	5,697
Marine	**4,888**	3,035
Urban Development	**5**	8
Others / Corporate	**260**	286
	11,689	9,026

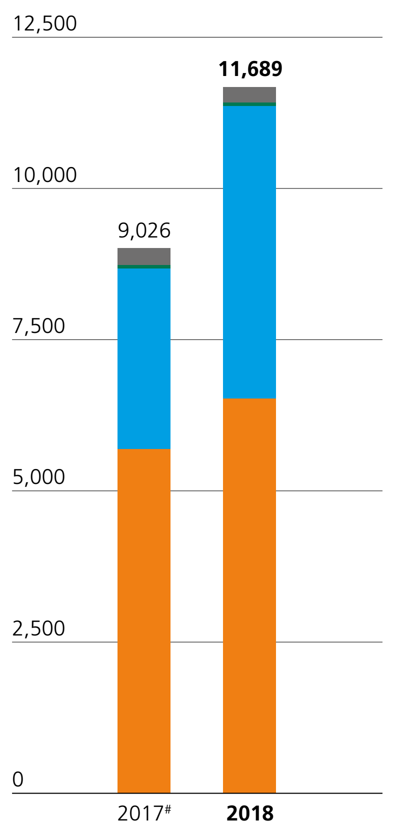
Profit from Operations *(S$ million)*

	2018	2017#
Utilities	**820**	650
Marine	**(60)**	350
Urban Development	**94**	90
Others / Corporate	**(13)**	(6)
	841	1,084

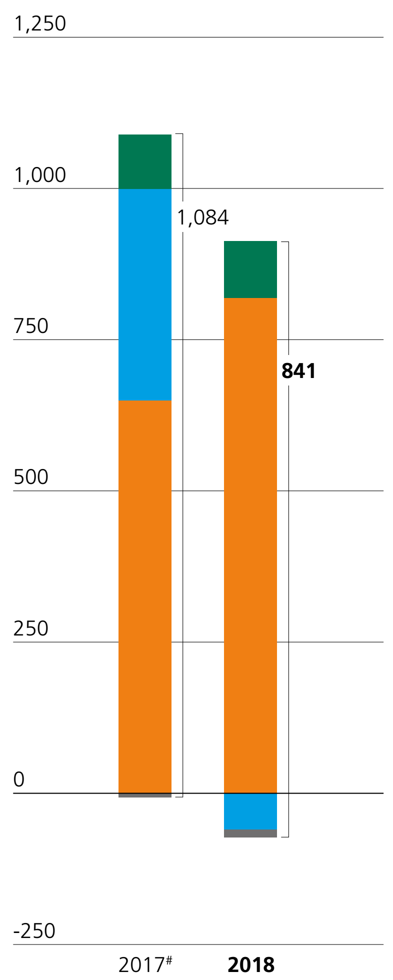
Net Profit *(S$ million)*

	2018	2017#
Utilities	**312**	140
Marine	**(48)**	157
Urban Development	**86**	83
Others / Corporate	**(3)**	3
	347	383

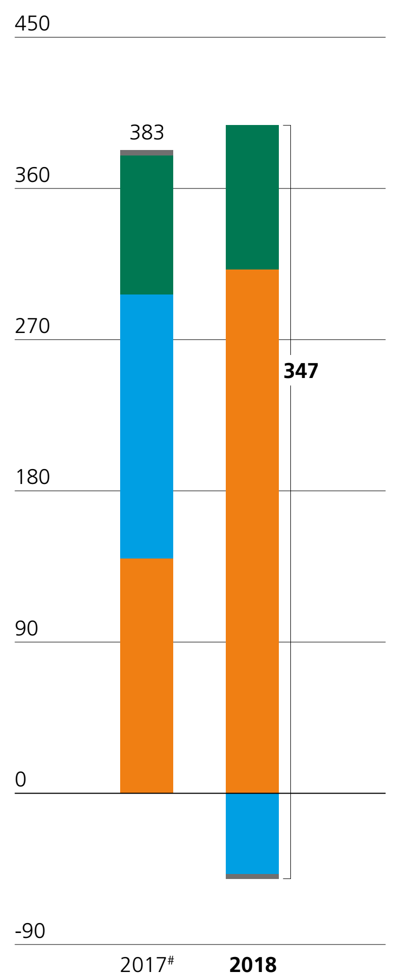
Turnover *(S$ million)*



Profit from Operations *(S$ million)*



Net Profit *(S$ million)*



In accordance with SFRS(I). Please see page 28 for details

Cash Flow and Liquidity

As at December 31, 2018, the Group's cash and cash equivalents stood at S$1,923 million.

Net cash from operating activities before changes in working capital remained healthy at S$1,250 million. Cash outflow from changes in working capital in 2018 was mainly attributable to Marine's working capital changes along with the increase in service concession receivables from Myingyan and Sirajganj Unit 4 power projects. The service concession receivables will be collected over the periods of the concession contracts from the time the power plants commence commercial operations.

Net cash used in investing activities in 2018 was S$1,217 million, mainly for acquisition of subsidiaries, and property, plant and equipment, offset by proceeds received from the divestment of investments and other financial assets, dividend and interest received.

Net cash used in financing activities in 2018 was S$256 million. This was mainly for payment for non-controlling interests acquired in 2017, redemption of subordinated perpetual securities and interest paid, reduced by net proceeds from borrowings.

Financial Position

Group shareholders' funds increased to S$5,987 million as at December 31, 2018, from S$5,941 million as at December 31, 2017.

Property, plant and equipment and investment property increased in 2018. This was mainly attributable to additions from Marine, Utilities (India and the UK, including the acquisition of UKPR), less translation losses from India and the UK assets, as well as the ongoing development of the Nanjing Riverside Quay project by Urban Development.

Other non-current assets increased in 2018. This was due primarily to the net increase in trade and other receivables from the Marine business' billings to customers upon the completion and sale of rigs, where payment is expected to be received after 12 months, and the service concession receivables from Sirajganj Unit 4 power project. In 2018, intangible assets also increased mainly as a result of acquisitions during the year by Utilities and Marine.

Current assets decreased in 2018 mainly due to the decrease in contract cost relating to the Marine business in its recognition of cost of sales upon the delivery of rig building projects.

Cash and cash equivalents decreased due to the redemption of perpetual securities, acquisitions, capital expenditures and repayment of borrowings.

Increase in contract assets was mainly from revenue recognised during the period and the timing of billing to customers by the Marine business.

Current liabilities decreased, on recognition of revenue upon the delivery and sale of rig building projects for the Marine business, and payments made for non-controlling interests acquired in 2017.

Interest-bearing borrowings increased in 2018, mainly due to the acquisition and consolidation of UKPR's borrowings, additional borrowings for working capital, capital expenditure and refinancing of the company's perpetual securities.

Shareholder Returns

In 2018, return on equity for the Group was 5.1% and earnings per share amounted to 16.98 cents. Subject to approval by shareholders at the next annual general meeting, a final dividend of 2.0 cents per ordinary share has been proposed for the financial year ending December 31, 2018. Together with an 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.

Group Financial Review

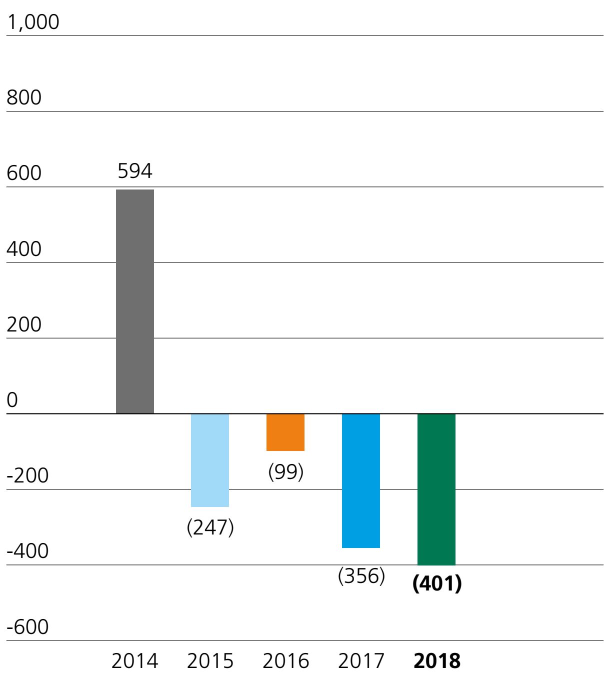
Economic Value Added

Economic value added (EVA) was negative in 2018, mainly due to a weaker overall performance by the Marine business. In 2018, EVA was negatively impacted by new investments that are at an early stage of operation.

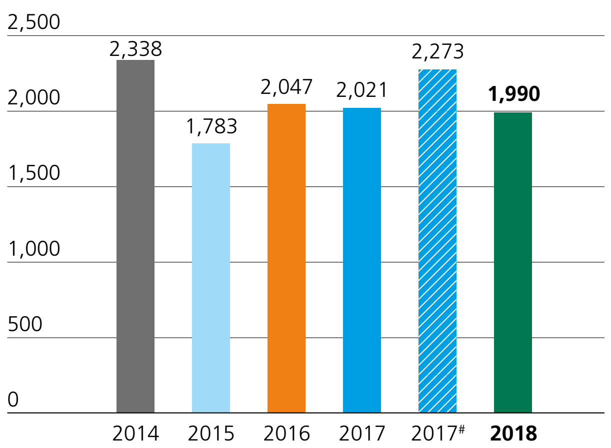
Value Added and Productivity Data

In 2018, the Group's total value added was S$2,399 million. This was absorbed by employees in wages, salaries and benefits of S$759 million, by governments in income and other taxes of S$149 million and by providers of capital in interest, dividends and distribution of S$622 million, leaving a balance of S$869 million reinvested in business.

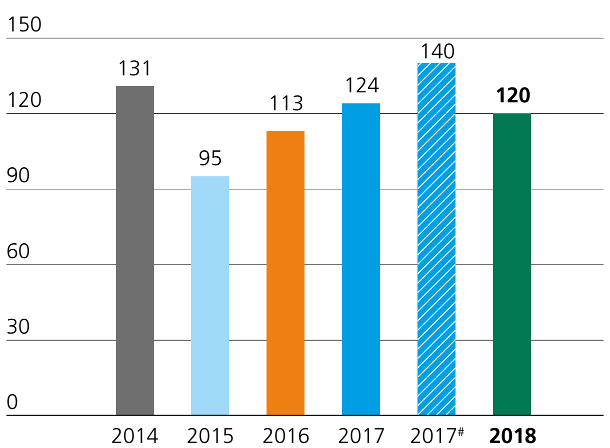
Economic Value Added *(S$ million)*



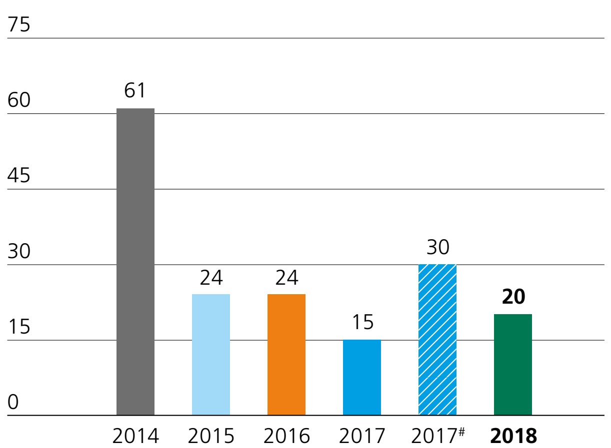
Gross Value Added *(S$ million)*



Value Added Per Employee *(S$ thousands)*



Profit After Tax Per Employee *(S$ thousands)*



Value Added Statement *(S$ million)*

	2018	2017#	2017	2016	2015	2014
Value Added from						
Turnover	**11,689**	9,026	8,346	7,907	9,545	10,895
Less: Bought in materials and services	**(9,699)**	(6,753)	(6,325)	(5,860)	(7,762)	(8,557)
Gross value added	**1,990**	2,273	2,021	2,047	1,783	2,338
Investment, interest and other income	**328**	421	410	536	985	253
Share of results: Associates & JVs, net of tax	**174**	164	164	125	6	159
Other non-operating expenses	**(93)**	(229)	(240)	(491)	(631)	(168)
	2,399	2,629	2,355	2,217	2,143	2,582
Distribution						
To employees in wages, salaries and benefits	**759**	807	807	800	832	871
To governments in income and other taxes	**149**	104	104	119	137	211
To providers of capital in:						
Interest on borrowings	**508**	527	526	402	238	70
Dividends to owners	**71**	125	125	179	285	393
Profit attributable to perpetual securities holders	**43**	43	43	39	28	9
	1,530	1,606	1,605	1,539	1,520	1,554
Retained in Business						
Depreciation and amortisation	**595**	571	571	454	405	315
Deferred tax expense / (credit)	**(7)**	65	14	32	(106)	26
Retained profits	**232**	215	63	178	236	399
Non-controlling interests	**(15)**	110	14	42	(94)	283
	805	961	662	706	441	1,023
Other non-operating (expense) / income	**64**	62	88	(28)	182	5
	869	1,023	750	678	623	1,028
Total Distribution	**2,399**	2,629	2,355	2,217	2,143	2,582

In accordance with SFRS(I). Please see page 28 for details

Group Financial Review

Productivity Data

	2018	2017#	2017	2016	2015	2014
Average staff strength	**16,578**	16,288	16,288	18,072	18,676	17,806
Employment costs *(S$ million)*	**759**	807	807	800	832	871
Profit after tax per employee *(S$'000)*	**20**	30	15	24	24	61
Value added *(S$ million)*	**1,990**	2,273	2,021	2,047	1,783	2,338
Value added per employee *(S$'000)*	**120**	140	124	113	95	131
Value added per dollar employment costs *(S$)*	**2.62**	2.82	2.50	2.56	2.14	2.68
Value added per dollar investment in property, plant and equipment *(S$)*	**0.12**	0.15	0.13	0.14	0.15	0.22
Value added per dollar sales *(S$)*	**0.17**	0.25	0.24	0.26	0.19	0.21

The figures above reflect data for core businesses only

In accordance with SFRS(I). Please see page 28 for details

Critical Accounting Policies

Sembcorp's financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS).

With effect from January 1, 2018, the Group adopted the following new / amended SFRS(I) and IFRS, set out in the table below.

The adoption of the following standards do not have any significant impact on the financial statements except for SFRS(I) 15 and SFRS(I) 9.

Amendments to SFRS(I)

SFRS(I) 1	First-time adoption of SFRS(I)
SFRS(I) 15	Revenue from Contracts with Customers which includes the clarifications to IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) in April 2016
SFRS(I) 9	Financial Instruments which includes the amendments to IFRS 4 insurance contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts issued by the IASB in September 2016

Requirements in the following SFRS(I) arising from amendments to corresponding IFRS issued by the IASB in 2016:

SFRS(I) 2	Share-based Payment
SFRS(I) 1-40	Investment Property
SFRS(I) 1	Amendments to IFRS1
SFRS(I) 1-28	Investments in Associates and Joint Ventures
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration

Note: All references to SFRS(I) and IFRS are referred to as SFRS(I) unless otherwise specified.

The application of SFRS(I) 15 accounting standard to our 2017 financial figures mainly impacts the Marine business. For the Marine business, this has resulted in differences in the timing of revenue and cost of sales recognition for certain contracts. In 2017, when these contracts were terminated and new contracts were entered into, the revenue and related cost of sales were recognised. However, with SFRS(I) 15, the previously recognised revenue and related cost of sales were reversed, and will now be recognised upon the transfer of legal title to customers.

Financial Risk Management

The Group's activities expose us to a variety of financial risks, including changes in interest rates, foreign exchange rates and commodity prices, as well as credit risk.

For details on the management of these risks, please refer to page 103 of this annual report.

Treasury Management

Sembcorp Financial Services (SFS), the Group's wholly-owned treasury vehicle, manages the Group's financing activities and our treasury activities in Singapore. SFS also oversees financing and treasury activities outside of Singapore together with the respective business units. In addition, SFS on-lends funds borrowed by it to businesses within the Group, where appropriate.

SFS and its overseas treasury units actively manage cash within the Group by setting up cash pooling structures in various countries where appropriate, to receive surplus funds from businesses and lend to those with funding requirements. It also actively manages the Group's excess cash using a number of financial institutions, and closely tracks developments in the global banking sector. Such proactive cash management continues to be an efficient and cost-effective way of managing the Group's cash and meeting our funding requirements.

Facilities

As at December 31, 2018, the Group's total credit facilities, including our multi-currency debt issuance programme, amounted to S$19,361 million (2017: S$21,095 million). This comprised funded facilities of S$15,048 million (2017: S$17,166 million), including S$12,876 million (2017: S$11,807 million) in committed facilities, and trade-related facilities of S$4,313 million (2017: S$3,929 million), including but not limited to bank guarantees, letters of credit, bid bonds and performance bonds.

Borrowings and Perpetual Securities

The Group aims to align the structure and maturity profile of our debt book with the commercial profile of our core assets, while continuing our focus on maintaining adequate liquidity for our businesses. We continue to build on our banking relationships to ensure that we are able to secure funding on competitive terms, as and when commercially viable and strategically attractive opportunities arise.

In 2018, the Group redeemed S$200 million of perpetual securities under our S$2,500 million multi-currency debt issuance programme. The Group also established a total of S$850 million and £200 million of loan facilities. These comprise a S$750 million 5-year revolving credit facility (in part to refinance a S$500 million revolving credit facility which matured during the year), a new S$100 million 8-year term loan and a £200 million bridge facility.

As at December 31, 2018, the Group's gross borrowings amounted to S$10,732 million (2017: S$9,848 million). Compared to 2017, the increase of S$884 million in gross borrowings was mainly due to new borrowing arising from acquisition of UK assets, and new loan drawdown to finance projects in Bangladesh and India. The interest cover dropped from 2.9 times in 2017 to 2.5 times in 2018, mainly attributed to lower earnings for 2018. The Group remains committed to balancing the availability and cost of funding while maintaining prudent financial ratios. We also aim to maintain an efficient and optimal mix of committed and uncommitted facilities.

Of the overall debt portfolio in 2018, 54% (2017: 45%) constituted fixed rate debt that was not exposed to interest rate fluctuations. The floating rate debt mainly comprised long-term bank loans in India to support the Group's projects in the country. We continue to actively monitor and manage the mix of our debt portfolio.

Financing and Treasury Highlights *(S$ million)*

	2018	2017	2016
Source of Funding			
Cash and cash equivalents	**1,925**	2,687	1,883
Funded facilities (including multi-currency debt issuance programme)			
Committed funded facilities	**12,876**	11,807	10,827
Less: Amount drawn down	**(10,480)**	(9,821)	(9,009)
Unutilised committed funded facilities	**2,396**	1,986	1,818
Uncommitted funded facilities	**2,172**	5,359	5,322
Less: Amount drawn down	**(1,083)**	(1,027)	(1,012)
Unutilised uncommitted funded facilities	**1,089**	4,332	4,310
Total unutilised funded facilities	**3,485**	6,318	6,128
Trade-related facilities			
Facilities available	**4,313**	3,929	4,379
Less: Amount used	**(1,604)**	(2,206)	(2,411)
Unutilised trade-related facilities	**2,709**	1,723	1,968
Funding Profile			
Maturity profile			
Due within one year	**1,862**	1,572	2,126
Due between one to five years	**5,803**	5,204	4,043
Due after five years	**3,067**	3,072	3,052
	10,732	9,848	9,221
Debt mix			
Fixed rate debt	**5,754**	4,469	4,416
Floating rate debt	**4,978**	5,379	4,805
	10,732	9,848	9,221

Financing and Treasury Highlights *(S$ million)*

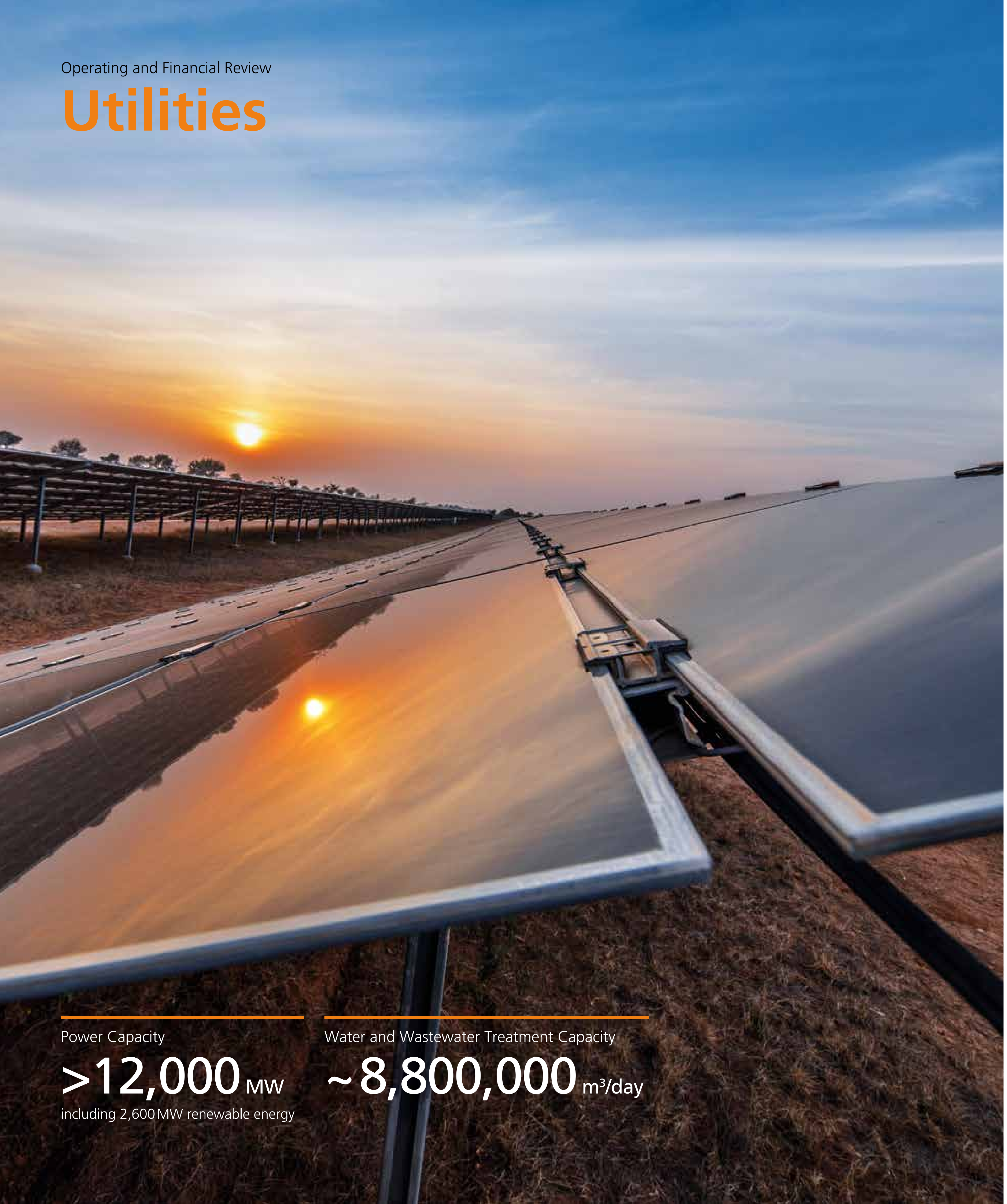
	2018	2017[#]	2016
Debt Ratios			
Interest cover ratio			
Earnings before interest, tax, depreciation and amortisation (EBITDA)[1]	**1,279**	1,523	1,315
Interest on borrowings	**508**	527	402
Interest cover *(times)*	**2.5**	2.9	3.3

[#] In accordance with SFRS(I). Please see page 28 for details

[1] EBITDA excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-offs

	2018	D/C ratio	2017	D/C ratio	2016	D/C ratio
Debt / capitalisation (D/C) ratios						
Sembcorp Industries corporate debt	**3,319**	**0.18**	2,484	0.14	1,697	0.10
Sembcorp Industries project finance debt	**3,183**	**0.17**	3,264	0.18	3,369	0.19
Sembcorp Marine debt	**4,230**	**0.23**	4,100	0.23	4,155	0.24
Sembcorp Industries Group gross debt	**10,732**	**0.57**	9,848	0.55	9,221	0.53
Less: Cash and cash equivalents	**(1,925)**	**–**	(2,687)	–	(1,883)	–
Sembcorp Industries Group net debt	**8,807**	**0.47**	7,161	0.40	7,338	0.42

Utilities



Power Capacity

>12,000 MW

including 2,600 MW renewable energy

Water and Wastewater Treatment Capacity

~8,800,000 m³/day

An integrated energy player poised to benefit from the global energy transition 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

Far left to right:

Sembcorp Energy India Limited is a leading renewable energy player in India with over 1,700 megawatts of wind and solar power capacity in operation and under development

Our renewable power business enables us to contribute to the push for clean energy in India

UK Power Reserve's fleet of rapid response gas engines can help bridge supply gaps between intermittent renewables generation and conventional centralised thermal generation

Competitive Edge

Creating Value through the Sembcorp O_4 Model

Global track record as an originator, owner or investor, operator and optimiser (O_4) of thermal and renewable energy as well as water assets with strong operational, management and technical capabilities

Proven Integration Expertise

Track record in providing energy, water and on-site logistics to multiple industrial site customers

Integrated Energy Player

Well-positioned across developing and developed markets and focused on three business lines: Gas & Power, Renewables & Environment and Merchant & Retail

Total Water Solutions

Solid track record in providing total water and wastewater treatment solutions for industries and water-stressed regions

Utilities Review

Performance Scorecard

Financial Indicators *(S$ million)*

	2018	2017#	Change *(%)*
Turnover	**6,569**	5,726	15
Earnings before interest, tax, depreciation and amortisation (EBITDA)[1]	**1,117**	1,001	12
Profit from operations	**820**	650	26
– Earnings before interest and tax	**728**	581	25
– Share of results: Associates & JVs, net of tax	**92**	69	33
Net profit	**312**	140	123
– Net profit before exceptional items	**321**	261	23
– Exceptional items[2]	**(9)**	(121)	(93)
Return on equity *(%)*	**8.3**	3.3	152

In accordance with SFRS(I). Please see page 28 for details

1 EBITDA excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-offs

2 Exceptional items amounted to

2018: A total of S$9 million, comprising S$23 million gain from the divestment of waste paper recycling and medical waste operations in Singapore and municipal water operations in South Africa, offset by S$25 million of additional provision for potential fines and claims at an overseas water business and a non-cash S$7 million incurred relating to UKPR's capitalised cost upon refinancing

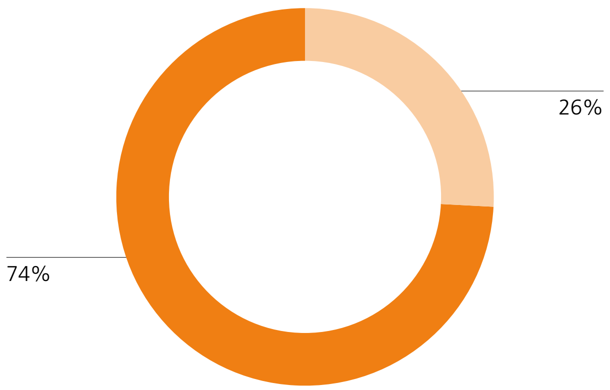
2017: A total of S$121 million, comprising S$39 million in refinancing cost for our second thermal power plant in India, S$57 million of impairment charges mainly relating to Singapore assets and investments and S$25 million of provision for potential fines and claims at an overseas water business

Operational Indicators*

	2018	2017
Power capacity *(megawatts)*	**12,486**	11,386
– Thermal	**9,812**	9,119
– Renewable & energy-from-waste	**2,674**	2,267
Steam capacity *(tonnes per hour)*	**4,044**	4,044
Water & wastewater treatment capacity *(cubic metres per day)*	**8,787,665**	8,927,490

* Capacity refers to total gross installed capacity of facilities in operation and under development.

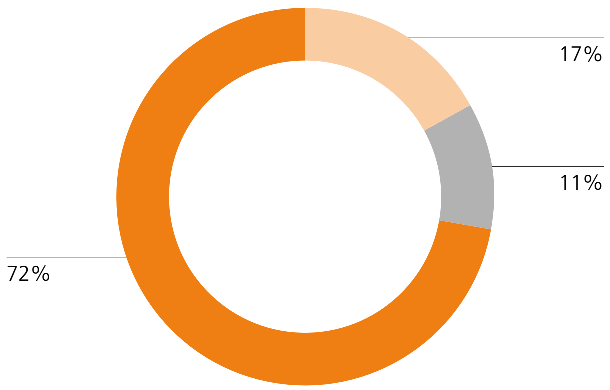
Profit from Operations* by Geography



■ Overseas ■ Singapore

* Excluding Corporate and exceptional items

Profit from Operations* by Segment



■ Energy ■ Water
■ On-site logistics & solid waste management

* Excluding Corporate and exceptional items

Key Developments

Deepened presence in the UK with the acquisition of UK Power Reserve (UKPR), the country's largest flexible distributed energy generator

Commenced commercial operations of the 250-megawatt SECI 1 wind power project, the first to be delivered under India's nationwide wind power tenders

Secured additional 115 megawatt peak of solar power capacity since the end of 2017, becoming one of the leading solar energy players in Singapore

Commenced full commercial operations of Sembcorp Myingyan Independent Power Plant, a 230-megawatt combined cycle gas-fired power plant in Mandalay, Myanmar

Operating and Financial Review

Lifting performance and returns

The Utilities business delivered a strong set of results despite a challenging market environment. Most notably, our India operations turned around to profitability, underpinned by better performance from our thermal business.

Positioning for the global energy transition, deepening presence in key markets

To better position our Utilities business to navigate the challenges and opportunities of a changing global energy landscape, we focused on building and strengthening our business with a focus on our three business lines: Gas & Power, Renewables & Environment and Merchant & Retail. In 2018, we achieved several notable milestones.

In Singapore, we extended our gas business to include liquefied natural gas importation under the government's newly introduced Spot Import Policy, reinforcing our position as a leading gas player in the country. This complements our piped natural gas operations, diversifies our gas portfolio and provides us greater flexibility, optionality and opportunities to extend supply to new customers. With our 230-megawatt gas-fired power plant in Mandalay, Myanmar commencing operations in October 2018, we now have 9,345 megawatts of thermal capacity in operation globally and a further 467 megawatts of thermal capacity in construction and under development.

In the UK, we acquired UK Power Reserve (UKPR), the country's largest flexible distributed energy generator. UKPR is a leading provider of secure, flexible low-carbon electricity and services to the UK power market. Its portfolio comprises small-scale, fast-ramping power generation assets and rapid response batteries connected at the distribution level. As of February 2019, 653 megawatts are in operation and a further 160 megawatts in construction and under development, including an upcoming 120-megawatt battery storage portfolio. When completed, Sembcorp will be one of the largest battery-based energy storage players in Europe. In today's market, flexible distributed energy generation and energy storage are growing in importance, given their role in bridging supply gaps

Utilities Review

Profit from Operations *(S$ million)*

	2018	2017#	Change (%)
Singapore	**224**	218	3
China	**103**	91	13
India	**385**	329	17
Rest of Asia	**39**	48	(19)
Middle East & Africa	**62**	61	2
UK & the Americas	**33**	34	(3)
Corporate	**(24)**	(13)	85
Profit from operations before exceptional items[1]	**822**	768	7
Exceptional items[1]	**(2)**	(118)	(98)
Total Profit from operations	**820**	650	26
Less: interest, tax and non-controlling interests	**(508)**	(510)	–
Net profit	**312**	140	123

In accordance with SFRS(I). Please see page 28 for details

1 Exceptional items amounted to

2018: A total of S$2 million, comprising S$23 million gain from the divestment of waste paper recycling and medical waste operations in Singapore and municipal water operations in South Africa, offset by S$25 million of additional provision for potential fines and claims at an overseas water business

2017: A total of S$118 million, comprising S$36 million in refinancing cost for our second thermal power plant in India, S$57 million of impairment charges mainly relating to Singapore assets and investments and S$25 million of provision for potential fines and claims at an overseas water business

between intermittent renewables generation and conventional centralised thermal generation. The addition of responsive merchant energy solutions gives Sembcorp a firm foothold in flexible distributed energy, a new growth niche. In addition, UKPR brings a strong complement to our centralised utilities assets on Teesside, broadening Sembcorp's service offerings. It plays an important role in the transformation of our UK business into an integrated energy business, providing a full spectrum of solutions across the energy market to customers, and differentiating us from competitors.

We also grew our renewables portfolio, and are on track towards our target of increasing our renewables capacity to around 4,000 megawatts by 2022. Since the end of 2017, we have added 415 megawatts of renewables capacity in India and Singapore, bringing gross renewables capacity to 2,600 megawatts globally. Meanwhile, we established a beachhead in the Australia renewables market with the acquisition of a 77.8% stake in Vellocet Clean Energy. The company offers clean energy solutions to corporations and specialises in developing behind-the-meter embedded generation and microgrids for large energy consumers as well as mid-size front-of-meter power supply and generation.

This ongoing transformation of our business model will allow us to provide a full spectrum of energy solutions with the right mix of capabilities and technologies to capitalise on the global energy transition for growth.

With these investments, we have made strides in balancing our portfolio across certain developing and developed markets and deepening our presence in key markets.

123% profit growth in 2018

2018 turnover was S$6,569 million compared to S$5,726 million in 2017. Underlying profit from operations (PFO), before exceptional items of S$2 million, was S$822 million, 7% higher compared to S$768 million in 2017. Net profit was S$312 million, more than double the S$140 million in 2017. Underlying net profit, before exceptional items, was up 23% to S$321 million compared to S$261 million in 2017, with Singapore, China and India being the main profit contributors.

Singapore

Singapore operations registered PFO of S$224 million in 2018, up 3% compared to S$218 million the previous year. The centralised utilities and gas businesses performed well while the power business continued to face intense competition, which led to lower blended spark spreads.

Since the end of 2017, we have grown our solar power capacity by more than ten-fold to over 120 megawatt peak currently. We increased our stake in Changi Mega Solar to 100% from 49%, acquired a 40 megawatt peak grid-tied solar power project that was under construction, clinched the SolarNova 3 project and also signed agreements with multiple customers to install, own and operate rooftop solar panels.

Sembcorp will build, own, operate and maintain grid-tied rooftop solar systems with a total capacity of 90 megawatt peak under the SolarNova programme

The SolarNova programme is a Singapore government initiative led by the Housing & Development Board and the Singapore Economic Development Board to accelerate the deployment of photovoltaic systems in the country. As a leading solar power player in the market with over 120 megawatt peak of assets across more than 1,500 sites currently, we are actively supporting Singapore in its goal of achieving 350 megawatt peak of solar power capacity by 2020. In addition, we signed a 20-year solar energy contract with Facebook to support its new data centre and other operations in the country.

We are also moving from being a largely business-to-business player to take our energy solutions closer to residential and small business customers. In Singapore, the phased roll-out of the full power contestability and the Open Electricity Market started in November 2018, following an initial pilot phase launched in Jurong in April 2018. We entered the market as a trusted brand and generator-retailer (gentailer), offering competitively priced, value-added plans with renewable energy attributes blended in.

China

PFO from China increased to S$103 million from S$91 million in 2017. The 1,320-megawatt Chongqing Songzao supercritical coal-fired power plant achieved higher plant load factor (PLF) on increased demand for thermal generation. Our water operations also delivered a better performance with the Changzhi Total Water Management Plant, which commenced commercial operations at the end of September 2017, turning in a full year's contribution in 2018.

India

PFO from India operations grew 17% to S$385 million in 2018 from S$329 million. India operations turned around to profitability in 2018, with a net profit of S$47 million in 2018 compared to a net loss of S$58 million in 2017. The improvement was driven by better PLFs and tariffs. India's 2018 earnings also included settlement with its vendors and lower taxes.

Our India renewable energy arm delivered an improved performance as it benefitted from higher wind speeds. Renewable energy earnings also included recognition of other income as a result of settlements with operations and maintenance contractors and a customer. In October, we achieved commercial operations of the 250-megawatt SECI 1 wind power project in Tamil Nadu. This was the first project to be successfully delivered under India's nationwide wind power tenders. In February 2018, we secured another 300 megawatts via the national wind power tender. We now have 1,177 megawatts of wind capacity in operation and a further 550 megawatts under development.

On the thermal power front, losses narrowed significantly, driven by higher PLF, improved margins and the benefit of a one-off recovery from a customer. Our first 1,320-megawatt supercritical coal-fired power plant operated at an average PLF of 79%, lower than 2017 due to one unit of the plant being shut down in the last quarter of 2018 due to a stator fault.

Our second supercritical coal-fired power plant operated at an average PLF of 84%. In August, the plant won a competitive tender conducted by the Bangladesh Power Development Board to supply 250 megawatts of power to Bangladesh over a total period of 15 years. Supply of power commenced in February 2019.

During the year, we successfully consolidated our thermal and renewable power operations under Sembcorp Energy India Limited, building a platform for the growth and sustainability of our India energy business. We initiated the process for an initial public offering of Sembcorp Energy India Limited on BSE (formerly the Bombay Stock Exchange) and the National Stock Exchange of India with the filing of a draft red herring prospectus (DRHP) and will continue to monitor market developments closely.

Utilities Review

Rest of the World
PFO from the Rest of Asia, where operations include gas-fired power plants in Vietnam, Myanmar and Bangladesh, municipal water operations in Indonesia and the Philippines as well as our newly acquired business in Australia, was S$39 million compared to S$48 million in 2017. The higher PFO in 2017 was attributed to the service concession revenue recognised for Myanmar and Bangladesh, in accordance with the SFRS(I) accounting guideline. In October 2018, the 230-megawatt Sembcorp Myingyan Independent Power Plant (IPP) commenced full commercial operations. Completed with funding support from international financial organisations including Asian Development Bank, Asian Infrastructure Investment Bank, Clifford Capital, DBS Bank, DZ Bank, International Finance Corporation and Oversea-Chinese Banking Corporation, the facility will generate around 1,500 gigawatt hours of power for supply to Myanmar's Electric Power Generation Enterprise, helping to meet the power needs of around 5.3 million people. With this project, we have established a beachhead in Myanmar, giving us a foothold to potentially develop other businesses in the country.

We also achieved first-phase simple cycle operations for the 427-megawatt Sirajganj Unit 4 power project in Bangladesh in 2018. Full combined cycle operations are targeted by mid-2019.

Middle East & Africa operations posted PFO of S$62 million, compared to S$61 million in 2017. Sembcorp Salalah performed better in 2018 as earnings in 2017 were negatively impacted by a one-off deferred tax charge in 2017, arising from the change in corporate tax to 15% from 12%. Our Fujairah 1 independent water and power plant in the UAE reported lower contributions compared to 2017 due to lower water tariffs following the extension of its power and water purchase agreement from 2029 to 2035.

In December 2018, we completed the sale of our South African municipal water operations in Nelspruit (Mbombela) and Ballito for ZAR839 million (approximately S$82 million).

PFO from the UK & the Americas was S$33 million, comparable to 2017. UK operations registered PFO of S$19 million versus S$25 million in 2017 due to the acquisition of UKPR. The acquisition took place in June 2018, after the first quarter of the year, which is typically the main profit generating quarter for UKPR. UKPR's business is seasonal in nature, capturing value during periods of high grid volatility in winter months through the provision of high-value rapid response ancillary services to keep the national electricity system balanced and resilient. To lower the business' cost of borrowing, we successfully undertook a refinancing of its existing loans in December. However, there was a non-cash S$7 million incurred relating to UKPR's capitalised cost on refinancing.

Sembcorp Myingyan Independent Power Plant will help to ease Myanmar's power deficit

UKPR's 120-megawatt battery portfolio represents one of Europe's largest battery-based energy storage projects

Outlook

Major transformation in the global energy sector has created challenges and opportunities. Changes to utilities business models and regulatory policies are emerging, with increasing demand for renewables and proliferation of distributed energy resources. Electricity markets are also undergoing a unique transformation, with higher demand brought on by a more digital economy, electric vehicles and other technological advancements.

The Utilities business is consolidating and expected to deliver a steady performance in 2019. We will prudently seek new opportunities while continuing to maintain a focus on the operational excellence of our existing assets.

In Singapore, the Open Electricity Market will be extended nationwide in 2019. We expect the operating environment in Singapore's power market to remain challenging, with intense competition.

Our India utilities business is expected to improve. The long-term outlook for the India power market remains positive, with the current situation of peak surplus to reverse by the 2020 fiscal year, according to CRISIL, an independent research house that is a part of the S&P Global group.

We will see the first full-year of operation and contribution from UKPR in 2019.

In 2019, over 1,000 megawatts of new power capacity within our portfolio will become operational. This includes 427 megawatts at our Sirajganj Unit 4 power project in Bangladesh, 100 megawatts of gas and battery capacity in the UK, 550 megawatts of wind power capacity in India and 56 megawatt peak of solar power capacity in Singapore.

The focus for the business continues to be on lifting performance and investing in capabilities in line with the strategy to reposition for success amid the global energy transition.

Disclaimer:
Sembcorp Energy India Limited is proposing, subject to applicable statutory and regulatory requirements, receipt of requisite approvals, market conditions and other considerations, to make an initial public offer of its equity shares and has filed the DRHP with the Securities and Exchange Board of India (SEBI). The DRHP is available on the websites www.sebi.gov.in, www.bseindia.com, www.nseindia.com, www.credit-suisse.com, www.clsa.com and www.sbicaps.com, and on the website of the Book Running Lead Manager at www.indusind.com. All potential investors should note that any investment in equity shares involves a high degree of risk and for details relating to the same, please refer to the DRHP including the section titled "Risk Factors" on page 16 of the DRHP and any investment decision shall be made on the basis of the Red Herring Prospectus whenever applicable. Potential investors should not rely on the DRHP filed with SEBI for making any investment decision.

Marine

Total Net Orderbook

S$6.2 billion

Contracts Secured in 2018

S$1.2 billion

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

Far left to right:
Kaombo Sul, the second of two FPSO conversion projects delivered to Saipem for the Kaombo project in offshore Angola

With 10 projects delivered, Sembcorp Marine was Asia's top cruise ship repair and upgrade solutions provider in 2018

Sembcorp Marine Admiralty Yard in Singapore has a proven track record in the sectors of tankers, bulk carriers as well as container and cargo vessels

Competitive Edge

50 Years of Proven Track Record

A global leader in integrated offshore, marine and energy solutions with more than 50 years of experience

Diversified and Innovative Solutions

Able to offer diversified and innovative engineering solutions across the offshore, marine and energy value chain

Enhanced Capabilities

Established capabilities in rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding, and enhanced capabilities to serve the gas value chain

Global Network

Strategically located shipyards and facilities in Singapore, Indonesia, Norway, the UK, the US and Brazil

Marine Review

Performance Scorecard

Financial Indicators *(S$ million)*

	2018	2017#	Change (%)
Turnover	**4,888**	3,035	61
Earnings before interest, tax, depreciation and amortisation (EBITDA)[1]	**148**	522	(72)
Profit / (Loss) from operations	**(55)**	354	NM
– Earnings / (Loss) before interest and tax	**(53)**	358	NM
– Share of results: Associates & JVs, net of tax	**(2)**	(4)	(50)
Net profit / (loss)	**(74)**	260	NM
Return on equity *(%)*	**(3.1)**	11.1	NM

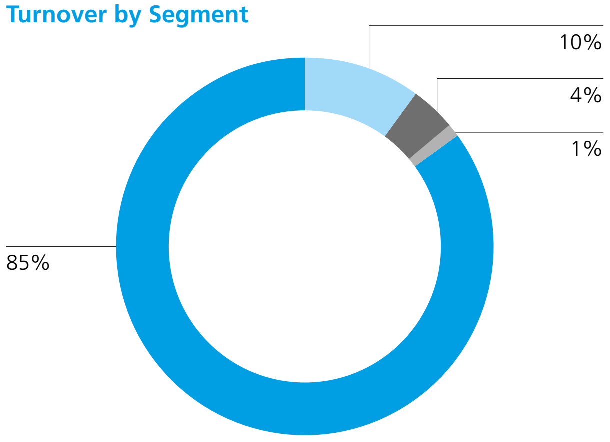
Note: Figures taken at Sembcorp Marine level

[1] EBITDA excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-offs

Operational Indicators *(S$ billion)*

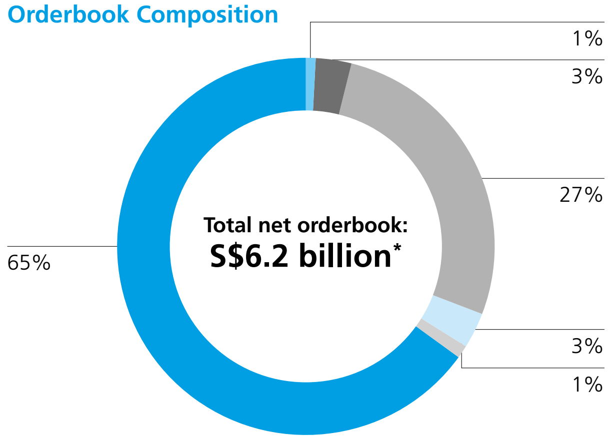
	2018	2017#
Total net orderbook	**6.2**	8.4

Turnover by Segment



■ Rigs & floaters ■ Repairs & upgrades
■ Offshore platforms ■ Other activities

Orderbook Composition



■ Drillships ■ Semi-submersibles ■ Jack-up rigs
■ Floaters ■ Offshore platforms ■ Specialised shipbuilding

* As at December 31, 2018. Excluding the Sete Brasil drillship contracts, net orderbook was S$3.1 billion

In accordance with SFRS(I). Please see page 28 for details

Key Developments

Secured an order for the construction and integration of hull, topsides and living quarters for Shell's *Vito* semi-submersible FPU

Secured a contract for the EPC of newbuild hull, living quarters and topside modules for TechnipFMC's FPSO

Signed an agreement with Varg for EPC works related to the modification, repair and life extension of the *Petrojarl Varg* FPSO

Successfully moved into renewable energy engineering solutions with two project wins from Ørsted Wind Power and Norled

Operating and Financial Review

Challenging operating environment

2018 was a challenging year for the Marine business. Despite the moderate uptrend in offshore rig utilisation and increased day rates for most segments, competition remained intense and work volume was significantly below peak levels.

Turnover was S$4,888 million, 61% higher than the S$3,035 million in 2017. On a segmental basis, turnover for Rigs & Floaters was higher due to revenue recognition on delivery of seven jack-up rigs to Borr Drilling, one jack-up rig to BOT Lease (BOTL), the sale of a semi-submersible rig and revenue recognition for newly secured projects. Offshore Platforms revenue was lower due to fewer contracts and completion of existing contracts. Turnover for the Repairs & Upgrades segment was lower as fewer ships were repaired. Despite fewer ships serviced during the year, the average revenue per vessel increased due to an improved vessel mix of higher-value works.

Excluding the effects of the delivery to Borr Drilling and BOTL and the sale of the semi-submersible rig, turnover in 2018 would have been S$2,530 million compared to S$2,550 million in 2017.

Turnover *(S$ million)*

	2018	2017#	Change (%)
Rigs & Floaters	**4,148**	1,717	142
Repairs & Upgrades	**476**	499	(5)
Offshore Platforms	**184**	732	(75)
Other Activities	**80**	87	(8)
Total	**4,888**	3,035	61

In accordance with SFRS(I). Please see page 28 for details

Marine Review

The Marine business recorded a loss from operations of S$55 million compared to profit from operations of S$354 million in 2017. The business posted a net loss of S$74 million compared to net profit of S$260 million in 2017 mainly due to continued low overall business volume and loss from the sale of a semi-submersible rig, partially offset by margin recognition from new projects and delivery of rigs.

Entire inventory of 10 rigs fully monetised
In addition to the sale of nine Pacific Class 400 jack-up rigs to Borr Drilling in 2017, the Marine business completed the sale of the *West Rigel* semi-submersible rig (renamed *Transocean Norge*) for US$500 million in 2018. With this, the entire inventory of 10 rigs has been fully monetised.

The Marine business has delivered all nine rigs to Borr Drilling. One rig was delivered in November 2017, seven in 2018 and the final one in January 2019. Borr Drilling had made a down payment of about US$500 million upon signing the sale agreement, while the balance will be paid within five years from the respective delivery dates of the rigs. The liquidity of the business will further improve over the next five years as the business collects the remaining proceeds of approximately S$1.2 billion from the sale of these 10 rigs.

Placing priority on effective and timely project execution and securing orderbook
While the overall industry outlook continues to improve, significant time and effort for project co-development with potential customers are required before new orders are secured, and competition remains intense.

At the end of 2018, the Marine business' net orderbook stood at S$6.2 billion, with completions and deliveries stretching to 2021. Excluding the Sete Brasil drillships, net orderbook stood at S$3.1 billion. The majority of projects in the current net orderbook are based on progress payment terms.

A total of S$1.2 billion in new contracts was secured during the year. These included the engineering, procurement and construction (EPC) of newbuild hull, living quarters and topside modules for TechnipFMC's newbuild floating production storage and offloading (FPSO) and a contract from Shell Offshore for the construction and integration of the hull, topsides and living quarters for the *Vito* semi-submersible floating production unit (FPU). Sembcorp Marine also secured two projects for renewable energy engineering solutions worth over S$200 million from Ørsted Wind Power and Norled. These projects are for the EPC, hook-up and commissioning works of two topsides for the Hornsea 2 Offshore Wind Farm, one of the world's biggest wind farms when operational in 2022, as well as the design and construction of three identical battery-powered RoPax ferries which will be built based on Sembcorp Marine's proprietary design by its subsidiary LMG Marin.

In addition to the S$1.2 billion in new orders above, the Repairs & Upgrades segment also secured S$160 million of orders for the retrofitting of ballast water treatment systems and / or gas scrubbers for 58 vessels in 2018.

Making good progress on ongoing projects
The business continued to make good progress on its ongoing construction projects. These include the engineering and construction of *Sleipnir*, the world's largest semi-submersible crane vessel for Heerema, and the construction of two high specification ultra-deepwater drillships for Transocean. Engineering and initial works also commenced for the construction and integration of the newbuild FPSO hull and living quarters for Equinor (formerly Statoil) for the Johan Castberg field development, the hull, topsides and living quarters for Shell's *Vito* FPU and the turnkey newbuild FPSO project for TechnipFMC. Meanwhile, hull carry-over works as well as topside modules construction and integration for the FPSO *P-68* and topside modules construction for FPSO *P-71* for the Tupi project are underway at the Brazil yard.

Notable Deliveries in 2018

Delivered to MODEC, the newbuild FSO *Ailsa* is the world's first with a 40-year hull lifespan


The converted *Kaombo Norte* (pictured) and *Kaombo Sul* FPSOs were successfully delivered to Saipem

Delivered to TOTAL, this project involved the construction of wellhead, utilities and living quarters as well as central processing facility (pictured), for deployment in the Culzean field in the UK North Sea


Eight jack-up rigs were delivered to Borr Drilling and BOT Lease in 2018

Marine Review

Enhancing intellectual assets and competencies

To enhance the business' capabilities in green technology solutions, Sembcorp Marine increased its shareholdings in Semb-Eco in January 2019 and will acquire five groups of core patents in ballast water treatment, exhaust gas cleaning, bio-fouling control and corrosion control.

In September 2018, the business further expanded its capabilities with the acquisition of Sevan Marine's intellectual property rights, particularly in cylindrical platform solutions for floating production and drilling. The strategic acquisition of Sevan Marine, together with prior investments in Sembmarine SSP, LMG Marin, Gravifloat and Aragon, will further enhance Sembcorp Marine's intellectual assets and knowledge base, as well as design and engineering capabilities to provide innovative products and leading-edge solutions for the offshore, marine and energy industries.

Yard capacity management

As part of Sembcorp Marine's transformation and yard consolidation strategy, the business will continue to consolidate and maximise the utilisation of its integrated Tuas Boulevard Yard, while reviewing the schedule for the return of older yards in Singapore on or before their lease expiry dates. To date, Sembcorp Marine has returned the Pulau Samulun Yard to the Singapore government, with two other yards in the process of being returned. Sembcorp Marine is scheduled to move out completely from the Tanjong Kling Yard by the end of 2019, four years ahead of schedule. This will result in an accelerated depreciation of the lease and certain fixed assets over 15 months starting from the fourth quarter of 2018 but will lead to cost savings from 2020.

The Tuas Boulevard Yard strengthens Sembcorp Marine's value proposition as a one-stop solutions provider offering optimal production efficiency, cost-effective execution and shorter project delivery times

Diversifying Product Capabilities

Moving up the value chain

Sevan SSP: Innovative circular hull as a cost-effective alternative to traditional ship-shaped, turret moored designs

LMG Marin: Advanced ship design and engineering

Gravifloat: Modularised liquefied natural gas and liquefied petroleum gas terminals

Continuing disciplined financial management

Financial prudence and discipline continue to remain key considerations for the business in the face of a prolonged cyclical downturn. While the majority of ongoing contracts and new orders secured are on progress payment terms, future new orders may have increased working capital needs as the industry continues to adapt to changing business models and constrained capital availability.

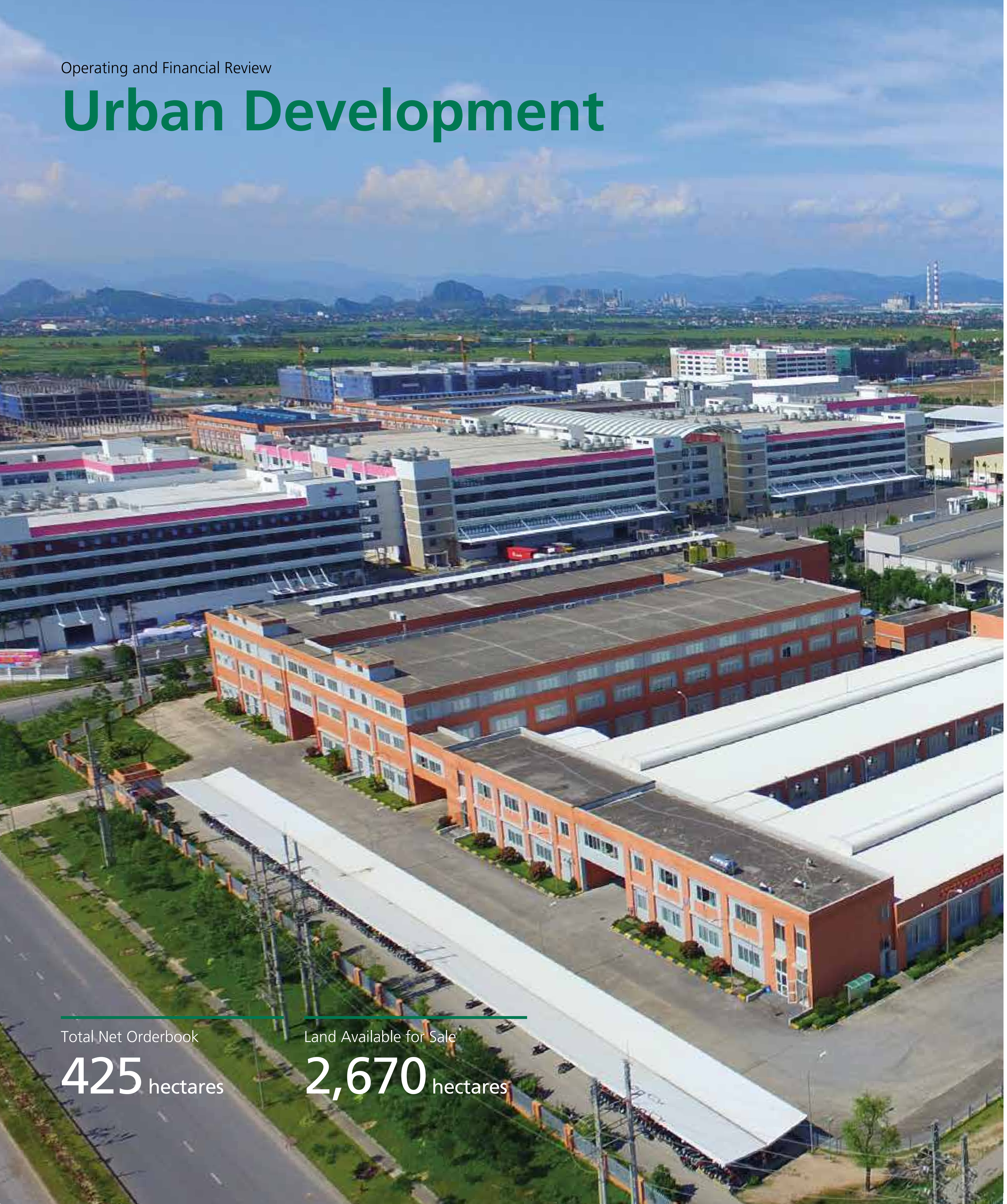
Capital expenditure is expected to be moderate in the future and will primarily be for the execution of secured contracts, realisation of cost savings or enhancement of project execution capabilities. Non-essential capital expenditure will be deferred.

Outlook

Overall business volume and activity for the Marine business, while stabilising, is expected to remain relatively low. While offshore drilling activities have increased, offshore rig orders will take some time to recover as the market remains over-supplied. However, offshore production units are expected to dominate potential orders and Sembcorp Marine is responding to increasing enquiries and tenders for innovative engineering solutions.

Sembcorp Marine will continue to take steps to manage costs, cash flows and gearing to address the balance sheet and to capitalise on new business opportunities.

Urban Development



Total Net Orderbook
425 hectares

Land Available for Sale
2,670 hectares

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

Far left to right:
Vietnam Singapore Industrial Park (VSIP) in Hai Phong City, Vietnam

A new park and playground at VSIP Hai Phong, Vietnam, serves residents of Thuy Nguyen district and surrounding communities

The *International Water Hub* in Nanjing will open its doors by the end of 2019 to technology companies looking to test-bed new water and environmental technologies for the China market

Competitive Edge

Strong Track Record

Over 25 years of track record in undertaking master planning, land preparation and infrastructure development to transform raw land into urban developments

Supporting Industrialisation and Urbanisation

A valued partner to governments, with the ability to deliver the economic engine to support industrialisation and urbanisation by attracting local and international investments

Significant Land Bank

Integrated urban developments comprising industrial parks as well as business, commercial and residential space in Vietnam, China, Indonesia and India

Building Better Cities

People-centric approach to urban planning, incorporating green solutions and smart technology to enhance the liveability and sustainability of the developments

Urban Development Review

Performance Scorecard

Financial Indicators *(S$ million)*

	2018	2017#	Change (%)
Turnover[1]	**5**	12	(58)
Profit from operations	**94**	90	4
– Earnings before interest and tax	*****	(13)	NM
– Share of results: Associates & JVs, net of tax	**94**	103	(8)
Net profit	**86**	83	4
Return on equity *(%)*	**8.9**	9.2	(3)

In accordance with SFRS(I). Please see page 28 for details

* Less than S$1 million

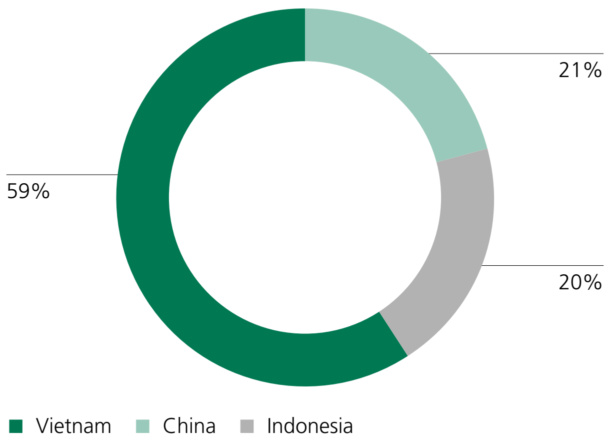
1 Most of our Urban Development businesses are associates or joint ventures. Turnover reflected consists of payment for services provided to these associates or joint ventures

Operational Indicators *(hectares)*

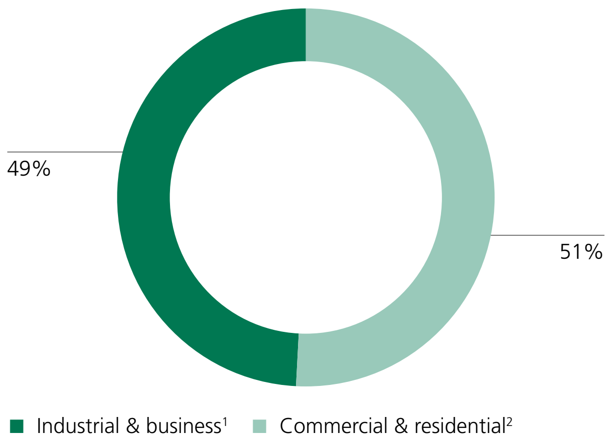
	2018	2017
Saleable land inventory	**5,742**	5,729
Land sold (cumulative)	**2,647**	2,340
Total net orderbook	**425**	251
Land available for sale	**2,670**	3,138

Note: Figures are based on current planned estimates and exclude projects under Gallant Venture

Remaining Saleable Land by Geography



Remaining Saleable Land by Segment



1 Industrial & business land includes space for general and high-tech manufacturing, research and development, as well as business and technology incubators

2 Commercial & residential land includes space for food and beverage businesses, malls, hotels, serviced apartments and modern services such as accounting and legal firms, consultancies and corporate headquarters

Key Developments

Achieved good growth in land sales and new commitments at the VSIP projects, taking net orderbook to an all-time high

Sold 99% of apartment units at *Riverside Grandeur* in Nanjing, the business' first residential development in China

Launched the *Singapore Innovation Centre* at the Singapore-Sichuan Hi-tech Innovation Park in China

Operating and Financial Review

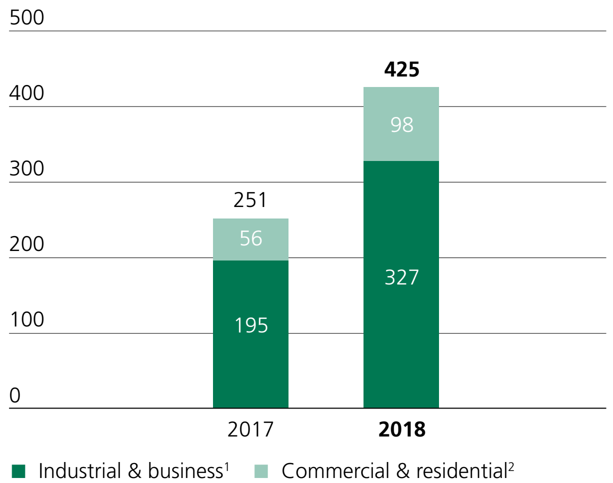
Land sales momentum continued

In 2018, the Urban Development business achieved record profits. Profit from operations grew to S$94 million from S$90 million, while net profit increased to S$86 million from S$83 million, with steady contributions from Vietnam and China.

During the year, the business maintained strong growth in land sales, selling a total of 307 hectares of land compared to 280 hectares in 2017. Land sales in Vietnam increased 40% to 258 hectares from 184 hectares in 2017, driven by robust demand for industrial land at the Vietnam Singapore Industrial Park (VSIP) projects. Land sales in China and Indonesia amounted to 28 hectares and 21 hectares respectively.

Land commitments received from customers increased to 481 hectares. As such, the net orderbook increased 69% to a record 425 hectares, driven by the VSIP projects.

Total Net Orderbook *(hectares)*



1 Industrial & business land includes space for general and high-tech manufacturing, research and development, as well as business and technology incubators

2 Commercial & residential land includes space for food and beverage businesses, malls, hotels, serviced apartments and modern services such as accounting and legal firms, consultancies and corporate headquarters

Urban Development Review

VSIP Quang Ngai in central Vietnam attracted companies seeking to diversify their manufacturing bases

Vietnam
Our VSIP integrated townships continued to perform well in 2018.

Demand for industrial land grew, with sales and new commitments increasing in 2018 as our VSIP projects in Vietnam benefitted from a trend of companies looking to diversify their manufacturing bases. These companies are attracted to the country's competitive labour market, tax incentives and improved access to other markets given Vietnam's multiple trade agreements.

In 2018, we completed the handover of all 267 apartment units in the first phase of *The Habitat Binh Duong* to residents. *The Habitat Binh Duong*, our first residential development within VSIP Binh Duong, won industry recognition as the Best Mid-end Condo Development in its category at the 2017 PropertyGuru Vietnam Property Awards. Encouraged by the good response to the launch of the first phase of the development, we then launched phase two comprising 460 apartment units with a total gross floor area (GFA) of 48,460 square metres. At the end of 2018, the take-up rate for phase two was 93%. These units will be progressively handed over to residents in 2020.

A residential development undertaken by our joint venture (JV) VSIP Bac Ninh was launched in May. *BelHomes*, comprising 262 terraced houses and 103 shophouses with a total GFA of 58,539 square metres, was sold out within a day. The units will be handed over to customers in 2019. *BelHomes* was named Best Sustainable Residential Development Southeast Asia at the Dot Property Southeast Asia Awards 2018.

93% of phase two of *The Habitat Binh Duong* residential development was taken up

In addition, during the year we entered into a JV with Japan's CRE Asia to develop our warehousing business. CRE Asia, a subsidiary of Tokyo Stock Exchange-listed CRE Inc, took a 30% stake in Sembcorp Infra Services, our warehousing subsidiary based in VSIP Hai Phong, with Sembcorp Development holding the remaining 70% stake. The new investment from CRE Asia and bank borrowings will fund the development of an additional 30,000 square metres of warehouse space, doubling our warehouse space to 60,000 square metres. CRE Asia's strengths in logistics tenant leasing and the management and development of logistics properties will complement our capabilities in industrial and warehousing property development.

China
In 2018, the Singapore-Sichuan Hi-tech Innovation Park (SSCIP) project in Chengdu increased its commercial and residential land sales compared to 2017, and also improved its profit. During the year, the *Singapore Innovation Centre* was launched at the SSCIP as a platform for Singapore enterprises looking to gain market access to West China. The centre will provide office and co-working spaces for start-ups, as well as innovation ecosystem players such as incubators and accelerators. The first batch of tenants at the *Singapore Innovation Centre* is expected to commence operations in the second half of 2019.

Operations at our Wuxi-Singapore Industrial Park (WSIP) project continued to be stable and plans are underway to develop more ready-built factories in the park. In December, we completed the sale of our 49% indirectly held stake in Wuxi Singapore Property Investment Co, which owned the *Hongshan Mansion* residential development, for RMB323 million (approximately S$65 million). This sale resulted in the Urban Development business recognising a net gain of S$16 million.

Meanwhile, it was a challenging year for our Sino-Singapore Nanjing Eco Hi-tech Island (SNEI) project. No residential land sales were recognised as the Nanjing government did not release any residential land for public auction in Jiangxinzhou, where SNEI is located. However, we achieved a significant milestone on the residential development front with the successful launch of the *Riverside Grandeur* project in October. 99% of the units in the development were sold, comprising 329 apartment units measuring 40,660 square metres in total GFA. Profit from these sales will be recognised progressively over 2019.

38% of net lettable area in *International Water Hub* in Nanjing has now been leased out

Located at the Singapore-Sichuan Hi-tech Innovation Park, the *Singapore Innovation Centre* is the latest platform for Singapore start-up companies that wish to establish a presence in West China

Urban Development Review

Park by the Bay, Kendal Industrial Park, in Indonesia has attracted 48 companies

Amaravati Development Partners was formed to develop Amaravati Capital City Start-up Area in India

Indonesia

Park by the Bay, our Kendal Industrial Park development in Semarang, Central Java, sold 21 hectares of land in 2018. Three ready-built factories were also sold. The business was however impacted by the depreciation of the Rupiah against the Singapore and US currencies. Potential customers deferred land purchases, while existing customers delayed commencing factory operations because of higher material costs from imports.

India

Together with our business partners, we formalised our collaboration with the State Government of Andhra Pradesh to jointly master develop the Amaravati Capital City Start-up Area with the signing of a shareholders' agreement to form Amaravati Development Partners (ADP). Sembcorp's effective share in ADP is 29%. ADP also signed a Concessions and Development Agreement with the state government relating to development rights, licences and required authorisations and concessions for the Start-up Area, and to undertake catalytic development works subject to the fulfillment of conditions precedent.

Outlook

According to World Bank forecasts, global economic growth is projected to soften to 2.9% in 2019 from 3.1% in 2018, as international trade and manufacturing activity soften and trade tensions persist. This could impact more export-dependent markets such as South Korea, Taiwan and Singapore, where many of our customers in the VSIP projects are from. We maintain a cautiously optimistic outlook for our projects in Vietnam, although a potential reduction in export demand and tightening global liquidity could reduce capital inflows and foreign investment and negatively impact our developments.

Although headwinds to China's economic growth have increased, technology spending is likely to grow as the country continues its innovation-driven growth strategy. Our key projects in China, including SSCIP, SNEI and *International Water Hub (IWH)*, are focused on providing innovative, knowledge-based development platforms and remain well-positioned. SNEI is the designated artificial intelligence application showcase for Nanjing, while *IWH* is positioned as a test bed for water and environmental technologies. *IWH*, which is wholly developed by Sembcorp, is slated for completion in late 2019 and has achieved 38% take-up rate of its facilities and laboratories to date.

Earnings growth for the Urban Development business is expected to continue in 2019, underpinned by a strong orderbook in Vietnam and the recognition of income from the sale of a residential development in China.

Board of Directors











From top, left to right:
Ang Kong Hua, Neil McGregor, Margaret Lui, Tan Sri Mohd Hassan Marican, Tham Kui Seng, Dr Teh Kok Peng, Ajaib Haridass, Nicky Tan Ng Kuang, Yap Chee Keong, Jonathan Asherson OBE, Dr Josephine Kwa Lay Keng

Ang Kong Hua

Chairman
Non-executive & Independent Director
Appointed February 26, 2010

As Chairman, Mr Ang is responsible for leading the board, setting its agenda and ensuring its effectiveness in all aspects of its role. Mr Ang heads the board's Executive Committee, Executive Resource & Compensation Committee, Nominating Committee and Technology Advisory Panel.

A well-known corporate figure in Singapore, Mr Ang brings to Sembcorp many years of rich experience in the manufacturing and services sectors, including the chemicals, electronics, engineering and construction sectors. Currently, he serves on the board of GIC, which manages Singapore's external reserves, as well as the board of Southern Steel.

Mr Ang holds a BSc (Honours) in Economics from the University of Hull, UK.

Neil McGregor

Group President & CEO
Appointed April 1, 2017

Mr McGregor is Group President & CEO of Sembcorp Industries. He is a member of the board's Executive Committee and Technology Advisory Panel. He also sits on the board of Sembcorp Marine, a listed subsidiary of Sembcorp Industries, as a non-executive director.

Mr McGregor brings to Sembcorp a unique and varied background spanning business, operations and investment in the energy and infrastructure sectors across Europe, USA, Asia and Oceania. His rich international experience includes over a decade spent in Singapore serving markets in the region. Previously, he also headed companies in India and Singapore as CEO, including Singapore LNG Corporation and PowerSeraya Group. Prior to joining Sembcorp, Mr McGregor was the Head of Temasek International's Energy and Resources Group, Head of Australia and New Zealand and Senior Managing Director of its Enterprise Development Group.

He is a fellow of the Singapore Institute of Directors.

Mr McGregor holds a BEng (Honours) from the University of Auckland and an MBA in International Finance from the University of Otago in New Zealand. He also completed the Advanced Management Programme at INSEAD, France.

Past directorships in listed companies and major appointments 2016–2018:

- Certis CISCO Security
- Clifford Capital
- Singapore LNG Corporation

Margaret Lui

Non-executive & Non-independent Director
Appointed June 1, 2010

Mrs Lui is a member of the board's Executive Committee, Executive Resource & Compensation Committee, as well as its Nominating Committee.

She is CEO and a board member of Azalea Investment Management. In addition, Mrs Lui is a member of the Singapore Exchange's (SGX) listings advisory committee. She serves on the board of trustees and finance committee of the Singapore Institute of Technology and heads its investment committee. She also chairs the marine services supervisory committee of PSA International.

Mrs Lui holds a BAcc from the National University of Singapore (NUS). She attended the Advanced Management Program at the Wharton School of the University of Pennsylvania, USA.

Tan Sri Mohd Hassan Marican

Non-executive & Independent Director
Appointed June 16, 2010

Tan Sri Mohd Hassan Marican serves on the board's Executive Resource & Compensation Committee and Nominating Committee.

He is Chairman of Sembcorp Marine, a listed subsidiary of Sembcorp Industries.

Formerly President & CEO of Malaysia's Petroliam Nasional (PETRONAS) from 1995 until his retirement in February 2010, Tan Sri Mohd Hassan Marican brings to the board over 30 years' experience in the energy sector, as well as in finance and management. He is Chairman of Singapore Power, Pavilion Energy, Pavilion Energy Trading & Supply, Pavilion Gas and Lan Ting Holdings and a director of Sarawak Energy, Lambert Energy Advisory, Khazanah Nasional and mh Marican Advisory. He is also a senior international advisor at Temasek International Advisors.

Tan Sri Mohd Hassan Marican holds an honorary doctorate from the University of Malaya and is a fellow of the Institute of Chartered Accountants in England and Wales.

Past directorships in listed companies and major appointments 2016–2018:

- Regional Economic Development Authority of Sarawak

Board of Directors

Tham Kui Seng

Non-executive & Independent Director

Appointed June 1, 2011

Mr Tham is a member of the board's Executive Committee and Executive Resource & Compensation Committee.

Formerly Chief Corporate Officer at CapitaLand, Mr Tham brings to the board a strong background in management in various industries, including over a decade's experience in the real estate sector.

Mr Tham is a director of Banyan Tree Holdings, Avanda Investment Management, Sembcorp Properties and Sembcorp Design and Construction.

Mr Tham holds a First Class Honours degree in Engineering Science from the University of Oxford, UK.

Past directorships in listed companies and major appointments 2016–2018:

- Global Logistic Properties
- Singapore Land Authority
- Straits Real Estate
- Temasek International Advisors
- The Straits Trading Company

Dr Teh Kok Peng

Non-executive & Independent Director

Appointed October 15, 2012

Dr Teh is a member of the board's Audit Committee, Risk Committee and Technology Advisory Panel.

Dr Teh is a senior advisor to China International Capital Corporation and a director of Fullerton Health Corporation, Astrea III and Astrea IV. He is Chairman of Azalea Asset Management, Lu International (Singapore) Financial Asset Exchange and NUS East Asian Institute. He is also a member of the Global Economic and Financial Advisory Council of Caisse de dépôt et placement du Québec (CDPQ) and an advisory director of Campbell Lutyens. Previously, Dr Teh served as Advisor to GIC's Group Executive Committee, Chairman of GIC's China Business Group and Chairman of Ascendas. He was also formerly President of GIC Special Investments, Deputy Managing Director of GIC, Deputy Managing Director of the Monetary Authority of Singapore (MAS) and an economist at the World Bank.

Dr Teh holds a First Class Honours degree in Economics from La Trobe University, Australia and a PhD in Economics from the University of Oxford, UK. He also completed the Advanced Management Program at Harvard Business School, USA.

Past directorships in listed companies and major appointments 2016–2018:

- Dwell Capital
- Greensphere Capital
- NUS
- Oversea-Chinese Banking Corporation
- S Rajaratnam Endowment
- Temasek Foundation Connects

Ajaib Haridass

Non-executive & Independent Director

Appointed May 1, 2014

Mr Haridass chairs the board's Risk Committee and is a member of the Audit Committee.

With 42 years of legal experience, Mr Haridass specialises in maritime law and deals with commercial and banking litigation. Currently a consultant with Haridass Ho & Partners, a legal firm he founded in 1985, Mr Haridass is a panel member of arbitrators of the Singapore International Arbitration Centre, the Singapore Chamber of Maritime Arbitration and the Asian International Arbitration Centre. He is also an accredited principal mediator of the Singapore Mediation Centre and a senior accredited specialist (maritime and shipping law), Singapore Academy of Law. He is a Commissioner for Oaths, a Notary Public and a Justice of the Peace. He is also the lead independent director of Nam Cheong.

Mr Haridass holds a Bachelor of Laws (Honours) degree from the University of London and qualified as a barrister-at-Law at the Honourable Society of the Middle Temple, UK.

Past directorships in listed companies and major appointments 2016–2018:

- Sembcorp Marine
- Small Claims Tribunal of the State Courts of Singapore

Nicky Tan Ng Kuang

Non-executive & Independent Director

Appointed November 1, 2015

Mr Tan is a member of the board's Executive Committee, Executive Resource & Compensation Committee and Nominating Committee.

He brings to Sembcorp rich experience in corporate finance, audit and mergers and acquisitions. Currently, Mr Tan runs nTan Corporate Advisory, a boutique corporate finance and corporate restructuring firm. Over the course of his career, he has been Partner and Head of Global Corporate Finance at Arthur Andersen Singapore and ASEAN, Partner and Head of Financial Advisory Services at PricewaterhouseCoopers Singapore, as well as Chairman of Financial Advisory Services at PricewaterhouseCoopers Asia Pacific.

Mr Tan is a director of Singtel Innov8, Chloride Eastern Industries as well as a director, executive committee member and audit and risk committee chairman of the National University Health System. Mr Tan is a member of MOH Holdings' audit & risk committee. In addition, Mr Tan is a member of the Nee Soon Town Council and the chairman of its investment & finance committee, as well as a member of Pei Chun Public School's management committee.

Mr Tan qualified as a chartered accountant in the UK. He is a member of the Institute of Chartered Accountants in England and Wales and the Institute of Singapore Chartered Accountants, as well as a fellow of the Singapore Institute of Directors.

Past directorships in listed companies and major appointments 2016–2018:

- Community Cancer Fund
- National Cancer Centre Research Fund

Yap Chee Keong

Non-executive & Independent Director

Appointed October 1, 2016

Mr Yap chairs the board's Audit Committee and is a member of the Risk Committee.

Formerly the executive director of The Straits Trading Company and chief financial officer of Singapore Power, Mr Yap brings to the board both financial and audit expertise, as well as experience in industry sectors including energy, infrastructure and real estate. He is a director of companies such as Shangri-La Asia, Olam International, Citibank Singapore, Mediacorp and Certis CISCO Security.

Previously, Mr Yap served on the board of Singapore's Accounting and Corporate Regulatory Authority (ACRA) as well as on ACRA's Public Accountants Oversight Committee. He was a member of the working group convened by MAS, SGX and ACRA to review the Guidebook for Audit Committees in Singapore, as well as the panel convened by MAS, SGX, ACRA and the Singapore Institute of Directors, which formulated guidelines for board risk committees.

Mr Yap holds a BAcc from NUS and is a fellow of the Institute of Singapore Chartered Accountants and CPA Australia.

Past directorships in listed companies and major appointments 2016–2018:

- ACRA
- ARA Asset Management
- CityNet Infrastructure Management
- InterOil Corporation
- Malaysian Smelting Corporation
- Public Accountants Oversight Committee, ACRA
- The Straits Trading Company
- Tiger Airways Holdings

Jonathan Asherson OBE

Non-executive & Independent Director

Appointed July 17, 2017

Mr Asherson is a member of the board's Audit Committee, Risk Committee and Technology Advisory Panel.

He brings to the board rich experience in regional strategy and business, as well as in the power and engineering industries. In the course of his career, Mr Asherson has been non-executive Chairman of Rolls-Royce Singapore, regional director for ASEAN and the Pacific at Rolls-Royce and held various positions in Siemens' industrial power business in China, Malaysia, Germany and the USA.

Mr Asherson is Chairman of the Singapore International Chamber of Commerce, a director of Genting Singapore and Tru-Marine, and was an advisory board member of the UK Department for International Trade (Southeast Asia). He sits on the board of the Advisory Council of Birmingham University, UK and is an advisory board member of Supply Chain and Logistics Academy. He is also a council member of the Singapore Business Federation and the Singapore National Employers' Federation. He also formerly served as President of the British Chamber of Commerce and as a board member of the Singapore Economic Development Board. He has been an advisor to the Singapore Institute of International Affairs and an advisory committee member for various educational and research institutes in Singapore and the UK. These include the Agency for Science, Technology and Research's (A*STAR) Science and Technology Advisory Council at the Engineering Research Institute @ NTU (ERI@N) and Nanyang Technological University (NTU) School of Mechanical and Aerospace Engineering. He also served on the Ngee Ann Polytechnic Aerospace Technology Advisory Committee and Nanyang Polytechnic Engineering Advisory Committee.

Mr Asherson qualified as a chartered engineer and holds a BSc (Hons) degree in Mechanical Engineering from Kingston University, UK.

Past directorships in listed companies and major appointments 2016–2018:

- Rolls-Royce Singapore

Dr Josephine Kwa Lay Keng

Non-executive & Independent Director

Appointed Aug 1, 2018

Dr Kwa is a member of the board's Technology Advisory Panel.

Dr Kwa brings to the board rich experience in technology and research and development (R&D) across various industries, including energy and engineering. She is a member of the board and audit committee of A*STAR, as well as a member of the management board of NUS Energy Studies Institute. She is also a director of Southern Steel and Barghest Building Performance.

Previously, Dr Kwa was CEO of NSL and also served in various other functions over her 23-year tenure with the company, including being its Chief Operating Officer and Head of Technology, responsible for R&D, information technology, energy and environmental investments and strategy. Dr Kwa chaired the National Energy Efficiency Committee for Industries in Singapore from 2000 to 2009 and continues to serve on the steering committee for the Singapore Certified Energy Manager Programme.

Dr Kwa holds a PhD and BSc (Honours) degree in Mechanical Engineering from the University of Leeds, UK.

Past directorships in listed companies and major appointments 2016–2018:

- Raffles Marina Holdings

Technology Advisory Panel

Sembcorp's Technology Advisory Panel advises the company on digital and technological developments in line with our growth strategies.

The panel oversees the development and application of significant emerging and potentially disruptive technologies to enhance Sembcorp's position as an integrated energy player, and ensures the appropriate management of specialised research and development (R&D) projects and systems for intellectual property creation and protection.

In addition, the panel reviews and approves the vision and strategy for digital and technology developments at Sembcorp, including projects or technologies identified for R&D, and advises Sembcorp's leadership on technological trends and opportunities. Members of the panel also introduce new and emerging technologies and companies to the Group and regularly advise on topical issues and technologies in their respective fields of interest and expertise.







From top, left to right:
Ang Kong Hua, Neil McGregor,
Dr Teh Kok Peng, Jonathan Asherson OBE,
Dr Josephine Kwa Lay Keng,
Prof Ng How Yong, Prof Lui Pao Chuen

Ang Kong Hua

Chairman

BSc (Honours) in Economics, University of Hull, UK

Mr Ang chairs the Technology Advisory Panel and is also Chairman of the board. A well-known corporate figure in Singapore, he brings with him many years of rich experience in the manufacturing and services sectors, including the chemicals, electronics, engineering and construction sectors. He also serves on the boards of GIC and Southern Steel.

Neil McGregor

MBA in International Finance, University of Otago, New Zealand

BEng (Honours), University of Auckland, New Zealand

Advanced Management Programme, INSEAD, France

Mr McGregor is Group President & CEO of Sembcorp Industries. He brings to the company a unique and varied background spanning business, operations and investment in the energy and infrastructure sectors across Europe, USA, Asia and Oceania.

Mr McGregor's rich international experience includes over a decade spent in Singapore serving markets in the region. Previously, he also headed companies in India and Singapore as CEO, including Singapore LNG Corporation and PowerSeraya Group. Prior to joining Sembcorp, he was the Head of Temasek International's Energy and Resources Group, Head of Australia and New Zealand and Senior Managing Director of its Enterprise Development Group.

He is a fellow of the Singapore Institute of Directors.

Dr Teh Kok Peng

PhD in Economics, University of Oxford, UK

BA (First Class Honours) in Economics, La Trobe University, Australia

Advanced Management Program, Harvard Business School, USA

Dr Teh sits on the board as a non-executive and independent director. He is a senior advisor to China International Capital Corporation and a director of Fullerton Health Corporation, Astrea III and Astrea IV. He is also Chairman of Azalea Asset Management, Lu International (Singapore) Financial Asset Exchange and the East Asian Institute at the National University of Singapore (NUS). He is also a member of the Global Economic and Financial Advisory Council of Caisse de dépôt et placement du Québec (CDPQ) and an advisory director of Campbell Lutyens. Previously, Dr Teh served as Advisor to GIC's Group Executive Committee, Chairman of GIC's China Business Group and Chairman of Ascendas. He was also formerly President of GIC Special Investments, where he oversaw investments in infrastructure and international venture funds, among other areas.

Jonathan Asherson OBE

BSc (Honours) in Mechanical Engineering, Kingston University, UK

Mr Asherson is a member of the board's Audit Committee and Risk Committee.

He brings rich experience in regional strategy and business, as well as in the power and engineering industries. In the course of his career, Mr Asherson has been non-executive Chairman of Rolls-Royce Singapore, regional director for ASEAN and the Pacific at Rolls-Royce and held various positions in Siemens' industrial power business in China, Malaysia, Germany and the USA.

Mr Asherson is Chairman of the Singapore International Chamber of Commerce, a director of Genting Singapore and Tru-Marine, and was an advisory board member of the UK Department for International Trade (Southeast Asia). He sits on the board of the Advisory Council of Birmingham University, UK and is an advisory board member of Supply Chain and Logistics Academy. He is also a council member of the Singapore Business Federation and the Singapore National Employers' Federation. He also formerly served as President of the British Chamber of Commerce and as a board member of the Singapore Economic Development Board. He has been an advisor to the Singapore Institute of International Affairs and an advisory committee member for various educational and research institutes in Singapore and the UK. These include the Agency for Science, Technology and Research's (A*STAR) Science and Technology Advisory Council at the Engineering Research Institute @ NTU (ERI@N) and Nanyang Technological University (NTU) School of Mechanical and Aerospace Engineering. He also served on the Ngee Ann Polytechnic Aerospace Technology Advisory Committee and Nanyang Polytechnic Engineering Advisory Committee.

Dr Josephine Kwa Lay Keng

PhD in Mechanical Engineering, University of Leeds, UK

BSc (Honours) in Mechanical Engineering, University of Leeds, UK

Dr Kwa sits on the board as a non-executive and independent director with effect from August 1, 2018. Dr Kwa is a

Technology Advisory Panel

director of A*STAR, Southern Steel, Barghest Building Performance, as well as a member of the management board of NUS Energy Studies Institute. She was formerly CEO of NSL, and served in various functions during her 23 years as Chief Operating Officer and Head of Technology within the NSL Group. As NSL's Head of Technology, Dr Kwa was responsible for the information technology, environment and R&D functions in the company.

Prof Ng How Yong

PhD in Environmental Engineering, University of California Berkeley, USA

BEng (First Class Honours) in Civil Engineering, National University of Singapore

Prof Ng is a professor and a Provost's Chair in NUS Department of Civil and Environmental Engineering, Director of the NUS Environmental Research Institute, as well as Director of the Sembcorp-NUS Corporate Laboratory. He has over 20 years of experience in biological wastewater treatment and membrane processes for water reuse and seawater desalination, and has served as a consultant on municipal wastewater treatment and reuse, industrial effluent treatment and seawater desalination in Singapore, China, Japan and the USA. Prof Ng is also a fellow of the International Water Association (IWA), the Vice-Chair of the Management Committee of the IWA Specialist Group on Membrane Technology and the President of the Environmental Engineering Society of Singapore.

Prof Lui Pao Chuen

MSc in Operations Research and Systems Analysis, Naval Postgraduate School, USA

BSc in Physics, University of Singapore

Formerly Singapore's Chief Defence Scientist, Prof Lui has several decades' experience in engineering, science and research. He is an advisor to Singapore's National Research Foundation and various government organisations, chairs the Environment & Water Industry Development Council's project evaluation panel and sits on the boards of research institutes, corporations and technical organisations, including the Executive Committee for Environmental and Water Technologies.

Prof Lui is a professor at NUS, a fellow of the Singapore Academy of Engineering and the Singapore National Academy of Sciences and an honorary fellow of the ASEAN Federation of Engineering Organisations. His major science and technology awards include the National Science & Technology Medal, the Institute of Physics Singapore's President's Medal, as well as the International Council on Systems Engineering's Pioneer Award. In addition, Prof Lui is the recipient of the Lifetime Engineering Achievement Award from the Institution of Engineers, Singapore, the Defence Technology Medal (Outstanding Service) from the Ministry of Defence, as well as the Aviation Pioneer Award from the Singapore Institute of Aerospace Engineers.

Senior Executives

Neil McGregor
Group President & CEO

Graham Cockroft
Group Chief Financial Officer

Wong Weng Sun
President & CEO, Sembcorp Marine

Koh Chiap Khiong
Head, Singapore, SEA & China (Energy)

Vipul Tuli
Head, India (Energy)

Ng Meng Poh
Head, Global Operations

Nomi Ahmad
Head, United Kingdom (Energy)

Sriram Narayanan
Head, Gas & Power

Tan Cheng Guan
Head, Renewables & Environment

Namesh Hansjee
Head, Merchant & Retail

Kelvin Teo
CEO, Sembcorp Development

Yam Ah Mee
Managing Director, Sembcorp Design & Construction

Yip Pak Ling
Senior Vice President & Mint Director, Singapore Mint

Matthew Friedman
Chief Digital Officer

Looi Lee Hwa
General Counsel

Stephen Henderson
Chief Risk Officer

Environmental, Social and Governance Review

Sembcorp actively contributes to improving living standards and quality of life for the local Myingyan community in Myanmar by providing educational support, enhancing access to water, upgrading and repairing community infrastructure and assisting in flood relief work

Managing Sustainability

Sembcorp has long held a strong commitment to sustainability. We believe that responsible corporates can play a role as agents of transformation for a sustainable future. We see sustainability at our company as inextricably linked to our ability to deliver long-term value and growth to all our stakeholders.

Sustainability is one of the key pillars of our business strategy that underpins our value creation process. In 2018, we developed a framework to articulate and drive our ambition to create a sustainable future. As a Group, we want to enable a low-carbon and circular economy, empower our people and communities and embed responsible business practices throughout our organisation.

We are a signatory to the United Nations Global Compact (UNGC) and a supporter of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

We participate in RobecoSAM's annual Corporate Sustainability Assessment that determines inclusion in the Dow Jones Sustainability Index, as well as the CDP (formerly known as the Carbon Disclosure Project) climate change programme.

For a list of our policies, certified facilities as well as memberships and participation in external initiatives, please visit the Reports & Policies and the Initiatives, Memberships and Certifications pages in the Sustainability section of our website.

In 2018, Sembcorp was once again selected as an index component of both the Dow Jones Sustainability Asia Pacific Index and the SGX Sustainability Leaders Index. We were conferred the Best Newcomer Award at the Sustainable Business Awards Singapore, and ranked sixth in the Singapore Governance and Transparency Index. At the Singapore Corporate Awards 2018, Sembcorp took home the gold award for the Best Annual Report for companies with market capitalisation of S$1 billion and above. We were ranked 27th in the Top 100 Green Utilities and 11th in the Top Generators ranked by Renewables Capacity in Energy Intelligence's Top 100 Green Utilities.

Our Sustainability Framework

The United Nations (UN) forecasts that by 2030, world population will have surpassed 8.5 billion, and the threat of climate change coupled with growing demand for critical resources will add considerable stress to our societies and the environment. Our future depends on urgent action, new business models, innovative technology and behavioural change. We believe that we must be part of the sustainable development agenda, and have a responsibility to our stakeholders to provide solutions that create value and positive impact for society. By meeting the needs of society, while managing our material environmental, social and governance (ESG) risks and opportunities, we believe that we will succeed as a business and give our shareholders a sustainable return.

Our Sustainability Framework articulates three ambitions for the future and demonstrates our support for the UN Sustainable Development Goals (SDGs). It directs our approach to integrate sustainability and manage our material ESG issues within our business strategy.

Driven by Our Purpose

Our purpose and passion is to do good and play our part in creating a sustainable future. We deliver energy and innovative solutions that support development and create value – for our stakeholders and communities.

Underpinned by Our Values

Creative Insight
We innovate and solve complex problems

Committed
We walk the talk, do the right thing and deliver on our promises

Connected
We value our people, forge strong partnerships and care for our communities and the environment

ENABLING A LOW-CARBON AND CIRCULAR ECONOMY

3 Good health and well-being; 6 Clean water and sanitation; 7 Affordable and clean energy; 9 Industry, innovation and infrastructure; 12 Responsible consumption and production; 13 Climate action

EMBEDDING RESPONSIBLE BUSINESS PRACTICES

16 Peace, justice and strong institutions

Climate Change

Reducing our greenhouse gas (GHG) emissions intensity and moving towards a balanced portfolio of low-carbon energy assets

Resource Management

Growing and innovating our business solutions to support a circular economy and ensuring we manage our operations efficiently to avoid or minimise the use of resources

Local Environmental Protection

Minimising negative environmental impacts and ensuring the highest standards of environmental management

Corporate Governance

Maintaining an effective governance and decision-making structure

Ethical Business and Compliance

Fostering an ethical culture and conducting our business with integrity, and ensuring we comply with all legal and regulatory requirements

Risk Management

Ensuring effective identification of material risks and putting in place an adequate and effective risk management and internal control system

Health and Safety

Making health and safety an integral part of our everyday business and culture

People

Creating a values-based and performance-led culture. Providing an engaging employment experience where our people can grow and excel

Community

Contributing to the sustainable development of our communities through engagement and partnerships and investing in initiatives that make a lasting positive impact

EMPOWERING OUR PEOPLE AND COMMUNITIES

3 Good health and well-being; 4 Quality education; 6 Clean water and sanitation; 7 Affordable and clean energy; 8 Decent work and economic growth; 11 Sustainable cities and communities

Managing Sustainability

Sustainability governance
Sembcorp's board of directors oversees the business affairs of the Group and is collectively responsible for our long-term success. The main duties of the board include providing leadership on Sembcorp's overall strategy, which takes into consideration sustainability issues. Our last materiality review was in 2016. In 2018, in line with the development of our Sustainability Framework, our management, with guidance from the board's Risk Committee, updated the ESG issues that are material to the Group's long-term sustainability. These nine ESG issues are presented in our Sustainability Framework on pages 78 and 79.

Sembcorp also has a Sustainability Steering Committee (SSC) that provides strategic direction for managing sustainability-related risks and opportunities. The SSC guides the development and improvement of frameworks, policies, guidelines, processes and initiatives to ensure that sustainability issues are effectively managed. It also directs the preparation of Sembcorp's Sustainability Report, and provides recommendations to the board's Risk Committee for approval. The SSC is chaired by our Group Chief Financial Officer, and comprises senior executives who are accountable for the management of Sembcorp's material issues.

In addition, our Integrated Assurance Framework ensures that key financial, operational, compliance and information technology (IT) risks are reviewed and tested using a robust assurance process.

As an initial but significant step, we revised the performance scorecard for our leadership team in 2018 to include specific ESG components. With this, the award of our senior executives' performance incentives will specifically take into account ESG performance and the achievement of ESG targets. This underscores the importance we place on addressing ESG risks and opportunities.

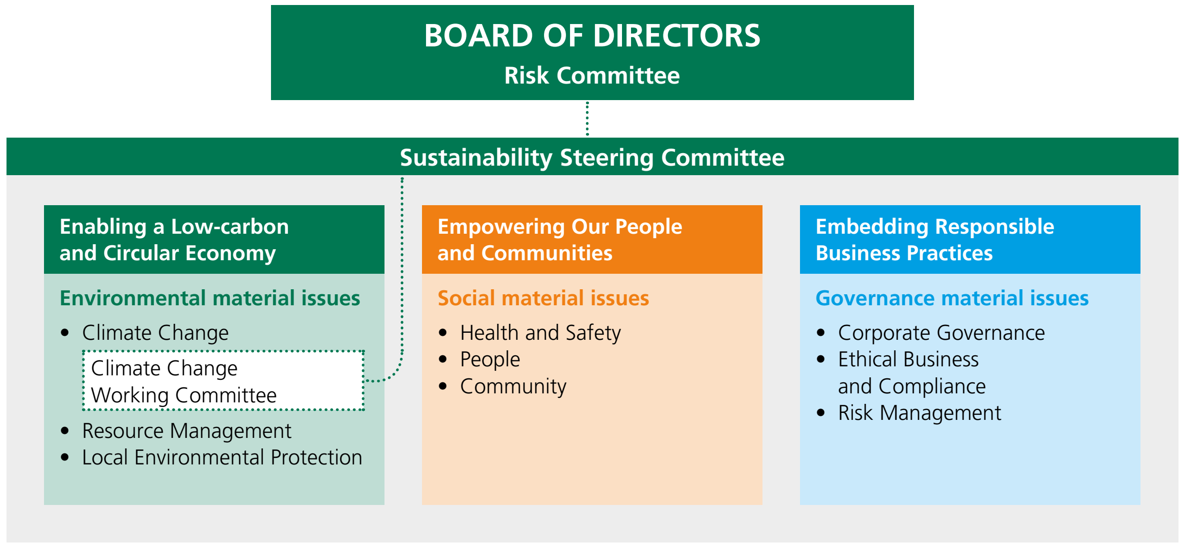
Board Statement

Sembcorp's board of directors is collectively responsible for the long-term success of the company. The board considers sustainability issues as part of its strategy formulation. It has determined Sembcorp's material ESG factors, and exercises oversight in the management and monitoring of our material ESG factors.

Sustainability contact
We welcome feedback on our sustainability issues and reporting at sustainability@sembcorp.com.

Sustainable Development Goals

The SDGs and their accompanying targets were ratified by 193 states at the historic UN Summit in September 2015. The SDGs set out a plan of action needed to address areas of critical importance for humanity and the planet by 2030. The scale and ambition of the SDGs mean that they cannot be achieved by governments alone. Businesses and other organisations also play important roles in addressing the sustainable development agenda.



The Sustainable Development Goals offer businesses an invaluable opportunity to transform communities and economies for the better

Our commitment to enable a low-carbon and circular economy, empower our people and communities, and embed responsible business practices throughout our organisation, aligns with the framework set out by the SDGs.

We have reviewed the SDGs against our material issues to identify the most significant positive and negative impacts of our operations. We have also considered opportunities where we can make the biggest contributions towards the SDGs while growing our business sustainably.

For more information on our support of the SDGs, please visit Our Approach page in the Sustainability section of our website.

Our Commitment to SDG 6: Clean Water and Sanitation

Our suite of water solutions for industrial and municipal customers helps treat wastewater, reclaim and supply water. These solutions help prevent pollution while extending the use of water beyond one cycle, thus reducing the use of freshwater and potable water.

Target: In 2018, we reclaimed around 61 million m^3 of water. We aim to develop a target in this area

Our Commitment to SDG 7: Affordable and Clean Energy

As an integrated energy player, our business strategy is aligned to meeting the global need to decarbonise. We aim to increase our share of renewable assets, while managing our existing thermal assets to operate at optimal efficiency.

Target: We plan to double our renewable energy generation capacity (from 2017 baseline) by 2022

Key performance indicators

	2018	2017	2016
Environmental			
Climate Change[1,2]			
Direct greenhouse gas (GHG) emissions *(million tonnes of CO_2 equivalent)*	**23.6**	22.2[r]	15.1[r]
GHG emissions intensity *(tonnes of CO_2 equivalent per megawatt hour)*	**0.55**	0.54[r]	0.45
Renewable energy generation capacity *(megawatts)*	**2,589**	2,182	1,720
Local Environmental Protection			
Water withdrawal *(million m^3)*	**1,794.0**	1,782.3[e]	1,874.0
Waste generated[3] *(thousand tonnes)*	**1,713.3**	1,452.7[e]	927.1
Hazardous waste	**39.9**	10.0	11.9
Non-hazardous waste	**1,673.4**	1,442.7	915.2
Significant spills[4]	**0**	0	0
Social			
Health and Safety[5]			
Number of fatalities[6]	**1**	3	3
Lost time injury rate per million man-hours	**0.5**	1.1	1.2
Accident severity rate per million man-hours[7]	**10.1**	15.3	17.2
People			
Employee turnover[8] *(%)*	**11.6**	10.1	11.4
Average training hours per employee[9]	**25.2**	23.8	28.2[e]
Community			
Community contributions[10] *(S$ million)*	**1.1**	5.5	4.2

More performance data, including governance and qualitative data on each of our material issues, is available in this report, as well as in the Sustainability section of our website.

For more information on our stakeholder engagement, materiality process and reporting scope and practice, please visit Our Approach page in the Sustainability section of our website.

[1] Emissions data covers entities that produce GHGs from the combustion of fossil fuels consumed in our Utilities business' assets. It excludes emissions from anaerobic wastewater treatment plants, and maintenance and servicing equipment. Only CO_2, CH_4 and N_2O emissions are included in the calculation of direct GHG emissions. Global warming potential factors used are from the UN 2006 Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report for 2016 data, and the IPCC Fifth Assessment Report for 2017 and 2018 data. A 100-year time horizon is applied. Commentary on our performance can be found on pages 91 and 92 of this report

[2] Emissions data for 2016 is presented using an operational approach, while emissions data for 2017 and 2018 are presented using an equity share approach

[3] Data for waste generated excludes waste that is collected and incinerated for our customers

[4] A significant spill is defined as that which resulted in a fine equal to or above S$50,000

[5] Health and safety data reflects group-wide performance. Data covers both assets in operation and under construction. A detailed breakdown of health and safety data is available in the Performance and Data Commentary report in Our Performance page in the Sustainability section of our website

[6] Data covers employees and contractors as well as members of the public. Details of fatalities are reported on page 101

[7] The accident severity rate excludes fatalities. The accident severity rate including fatalities is reported as part of detailed performance data, available in the Performance and Data Commentary report in Our Performance page in the Sustainability section of our website

[8] Data covers both voluntary and involuntary turnover of permanent employees of Sembcorp and our subsidiaries, excluding Sembcorp Marine

[9] Data covers permanent and contract employees

[10] Data from 2017 onwards covers assets under construction

[r] Indicates restated figure. Details can be found in the Performance and Data Commentary report of the respective year in Our Performance page in the Sustainability section of our website

[e] Indicates data is based on management's best estimates; we have since refined the accuracy and consistency of the data

Our Supply Chain

We recognise the importance of integrating sustainability practices into our procurement and supply chain management processes.

Sembcorp's main suppliers consist of original equipment manufacturers (OEMs), material suppliers, and engineering, procurement and construction (EPC) contractors. OEMs supply us with large-scale equipment such as gas turbines and desalination units as well as process equipment such as switchgears and control systems. Material suppliers provide fuel and chemicals needed to run our plants. EPC contractors provide detailed EPC services for our greenfield plants.

Our plants are designed and built to international codes and standards and it is with this perspective that we procure our equipment. We seek to ensure we procure high-quality and technologically advanced equipment that is durable and from suppliers who share our commitment to sustainability. Our Group Procurement Policy provides guidelines and control principles for various stages of the procurement process.

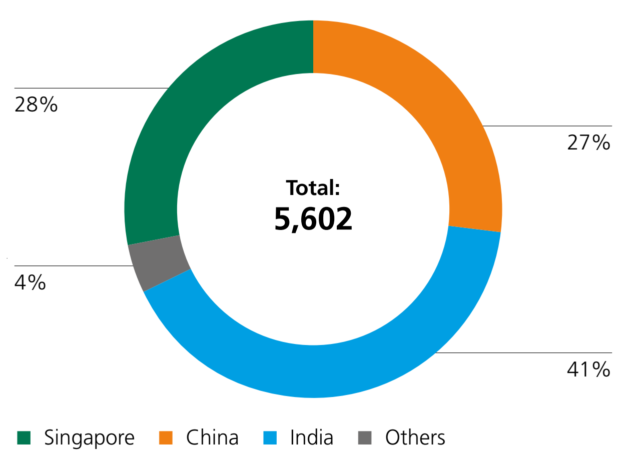
We value the opportunity to positively influence our service providers and suppliers towards greater health, safety and environment (HSE) awareness and social responsibility. In 2018, we launched our Supplier Code of Conduct. The Supplier Code defines the ESG standards of practice that we require of our suppliers. We will be implementing the Supplier Code across our markets in 2019, and will establish an annual assessment of procurement practices.

To improve the management of our suppliers and integrate the requirements of our Supplier Code across all stages of procurement, we are currently reviewing our due diligence process. For example, we have enhanced our existing vendor pre-qualification process to incorporate more extensive ESG criteria. Going forward, we will look into improving the evaluation of vendor performance for our critical suppliers.

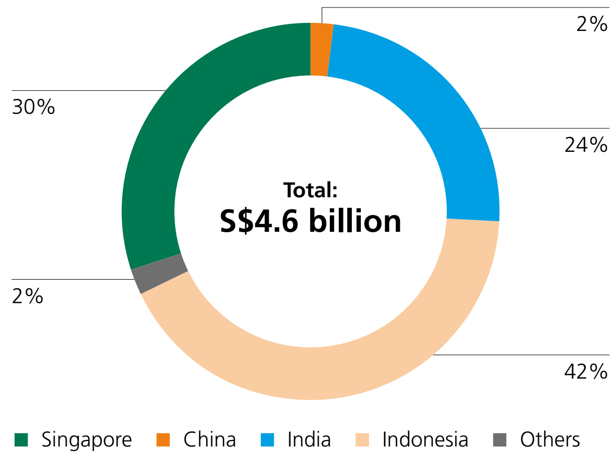
Supplier diversification

Our efforts to ensure supply chain security include diversifying supply to mitigate concentration risk. Coal supply is managed via a portfolio of suppliers and country sources.

Distribution of Suppliers by Geography[1]



Payments to Suppliers[2] by Geography[1]



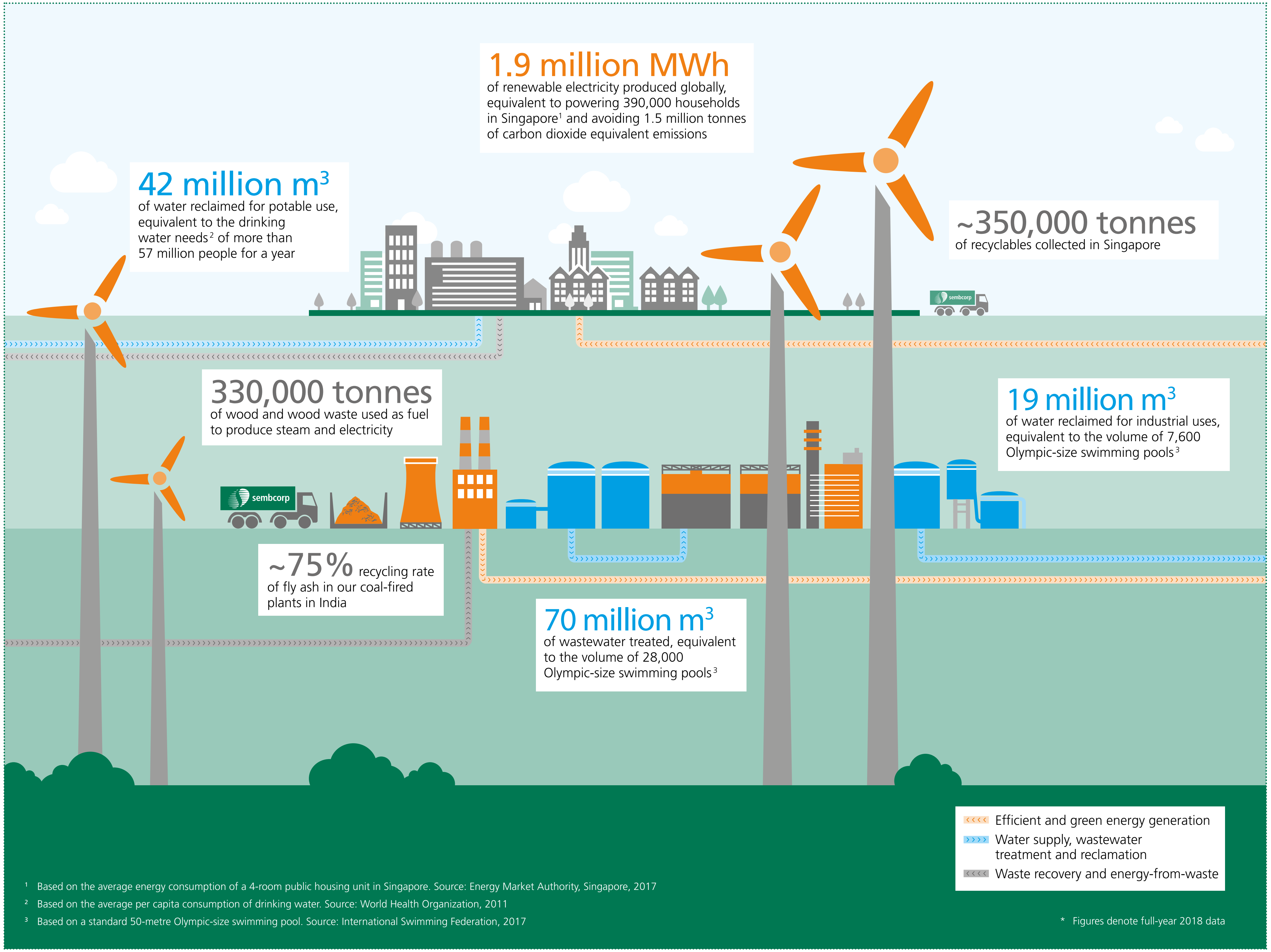
Our suppliers and contractors provide a wide range of products and services including fuel and equipment for electricity generation, chemicals for water treatment as well as maintenance services for our power and water treatment plants.

In 2018, our operations in our key markets of Singapore, China and India procured goods and services from 5,602 suppliers, with a total expenditure of S$4.6 billion. Spending on local[3] suppliers amounted to 42% for our Singapore operations, 100% for our China operations and 67% for our India operations. 42% of total payments to suppliers went to companies in Indonesia. This was mostly for our natural gas supply for Singapore operations and part of our coal supply for India thermal power operations.

[1] Data from some operations have been aggregated

[2] Payments made to suppliers include payments to governments, banks and financial institutions

[3] Local suppliers are defined as suppliers and service providers who are registered in the country where the product or service was procured



In Singapore, Sembcorp's operations maintain at least one primary and one secondary supplier for critical spare parts and consumables, where possible.

Fuel management

Fuel is a significant cost component for Sembcorp's power and steam generation operations. Therefore, managing our various fuel sources, along with their supply chains, is a key focus. Our fuel management teams look into issues such as contract management, hedging / trading and procurement, as well as logistics such as transportation and shipping, to ensure the security and reliability of our fuel supply. We secure long-term contracts for coal and gas supplies with reliable counterparties who have reserves that can sustain the useful lives of our assets. To further diversify our fuel mix and tap on sustainable sources, Sembcorp has increased our use of renewables and alternative fuels.

Innovative Solutions for a Sustainable Future

The challenge facing industries and communities today is one of balancing development with resource scarcity and environmental concerns. Sembcorp believes that we have a part to play in contributing to a sustainable future.

Our Utilities business uniquely offers energy, water and waste solutions. We leverage group capabilities and strengths to minimise the impact of our operations on the environment and create innovative solutions for our customers.

Our Material ESG Issues

Enabling a Low-carbon and Circular Economy

Climate Change	Resource Management	Local Environmental Protection
Our Priorities	**Our Priorities**	**Our Priorities**
Reducing our greenhouse gas (GHG) emissions intensity and moving towards a balanced portfolio of low-carbon energy assets	Growing and innovating our business solutions to support a circular economy and ensuring we manage our operations efficiently to avoid or minimise the use of resources	Minimising negative environmental impacts and ensuring the highest standards of environmental management
Relevant SDGs	**Relevant SDGs**	**Relevant SDGs**
7 Affordable and clean energy; 9 Industry, innovation and infrastructure; 13 Climate action	6 Clean water and sanitation; 12 Responsible consumption and production	3 Good health and well-being; 6 Clean water and sanitation; 12 Responsible consumption and production
How We Did in 2018	**How We Did in 2018**	**How We Did in 2018**
We grew our renewables capacity by around 20% to 2,600 megawatts. Our GHG emissions intensity was higher in 2018. However, we remain committed to meeting our 2022 target	We reclaimed around 61 million m^3 of water. We aim to develop a target in this area	We registered zero significant spills
> Pages 87, 91 and 92	> Pages 91 and 92	> Pages 92 and 93

Why this is material

Climate Change

As an energy producer, our power and steam generation activities release GHG emissions that contribute to climate change. Events and actions by governments in response to climate change pose potential regulatory, technological, physical and reputational risks to our businesses. One such significant development was the 2015 Paris Agreement on climate change, which countries accounting for over 88% of global GHG emissions have ratified. However, we recognise that in spite of these challenges, we are also uniquely positioned to leverage opportunities that have arisen from actions in response to climate change.

As part of Sembcorp's Climate Change Strategy, we have identified the climate-related risks and opportunities material to our Utilities business as follows:

- **Changes in policy and regulation**: Increasingly, governments are adapting their policies and regulations as part of country-level strategies to reduce emissions and support the transition to a low-carbon economy. Increasing global adoption of cap-and-trade schemes and carbon taxes will accelerate current trends favouring renewables, which in turn can significantly impact the future profitability of our assets and investments
- **Changes in technology and customer demand**: Falling costs and improved performance of new and emerging technologies such as photovoltaics, energy storage, smart grids and downstream technologies including electric vehicles and decentralised generation, are bringing about significant changes in the energy landscape. As a result of these technological changes, the needs of our markets and customers will change
- **Weather disruption**: Physical environmental risks, such as extreme weather linked to climate change, may cause disruptions to our assets and operations, and to the economic value chains and communities in which we operate. Exposure to physical risks varies widely across our operating geographies and across our businesses, from our power assets to our desalination plants
- **Stakeholder expectations**: Our stakeholders are increasingly focused on the impact of climate change and how we respond to climate change-related risks and opportunities. As a responsible corporate citizen, we recognise our obligations towards our stakeholders. Maintaining our stakeholder relationships is critical to our licence to operate and essential to protect our business reputation

Our climate change public disclosures are guided by the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

Resource Management

Global population growth and urbanisation have led to unprecedented demand for critical resources. This has underscored the need for us to consume resources responsibly, while pursuing innovations that support a circular economy. As an integrated energy player and a provider of water and waste management solutions, our innovative solutions help others on the journey towards sustainable development.

Operationally, achieving optimal energy and water efficiency are also business drivers for us. Maximising our efficiency and optimising our operations reduces our consumption of natural resources and our impact on the environment.

Local Environmental Protection

As a result of the products and services we provide, our operations have varying direct and indirect impacts on the environment. These include the discharge of effluent and disposal of waste, as well as the release of air pollutants into the atmosphere. Any improper or non-compliant emission, discharge or disposal may result in harm to the environment and public health, and threaten our long-term viability.

Making Progress on Our Low-carbon Strategy

We are focused on becoming one of the region's leading independent renewable energy players. In 2018, we made notable progress towards growing our renewables and low-carbon portfolio. We grew our global renewables portfolio in operation and under development by around 20% to 2,600 megawatts.

Aerial view of small scale, rapid response gas engines at one of our UKPR sites

In Singapore, we grew to become one of the nation's leading solar power players, with nearly 120 megawatt peak capacity of rooftop solar projects across over 1,500 sites.

In India, we emerged as the largest cumulative winner in the first three nationwide wind power auctions conducted by SECI, 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 contracts. Power generated with our first 250-megawatt SECI 1 project will be supplied to Jharkhand, Bihar, Uttar Pradesh and Delhi, and will power more than 216,000 homes while avoiding over 700,000 tonnes of carbon dioxide equivalent (CO_2e) emissions per annum.

In the UK, we acquired UK Power Reserve (UKPR), the UK's largest decentralised provider of balancing services with a nationwide fleet of rapid response gas engines and upcoming battery storage projects. UKPR's total capacity of 813 megawatts includes 120 megawatts of battery storage, making it the largest battery operator in the UK. UKPR will support and enable a renewable future for the UK by bridging supply gaps between intermittent renewables generation and conventional centralised thermal generation.

We also established a beachhead in Australia through our investment in Vellocet Clean Energy. Our investment will allow us to grow in the Australian power market, particularly in the direct supply of renewable energy to companies.

These projects demonstrate our commitment to our priority UN SDG 7 (Affordable and Clean Energy), which aims to ensure access to affordable, reliable, sustainable and modern energy for all.

Our approach

Climate Change

The table below sets out our management approach to climate change issues guided by TCFD recommendations.

For more information on our Climate Change Strategy, please visit the Reports & Policies page in the Sustainability section of our website.

TCFD Recommended Disclosures

Governance

Climate-related issues are managed through our Climate Change Working Committee (CCWC), led by the head of our Renewables & Environment business. The CCWC reports to the Sustainability Steering Committee (SSC), which reports to the board's Risk Committee on sustainability issues including climate change. The achievement of our climate change targets is monitored and incentivised via the performance scorecards of our Group President & CEO and other relevant senior executives.

Strategy

In formulating Sembcorp's Climate Change Strategy, the Group identified climate-related risks and opportunities for our Utilities business by evaluating four key risk factors: physical environmental impacts on our assets, brand and reputational risks, requirements for regulatory compliance, and product and market risks.

We evaluated these climate-related risks and opportunities using near-term (2017 to 2022) and medium-term (2030) lenses, and also considered long-term (2050) trends such as a science-based target for the utilities sector by 2050. When evaluating our markets from a climate-based scenario lens, we used International Energy Agency (IEA) scenarios such as the New Policies Scenario and the 450 Scenario.

The key risks related to climate change that Sembcorp's businesses face are changes in policy and regulation, technology and customer demand, and weather disruption and stakeholder expectation.

The findings from our climate-related scenario analysis shaped our strategy towards a more balanced energy portfolio. We will restrict our investments in coal-fired power plants and improve the energy efficiency of our existing plants. We will focus on growing our gas and renewables portfolio as well as our green business lines while exploring new business models, products and services that focus on energy efficiency, digitalisation and new energy solutions.

Risk Management

As part of the development of our Climate Change Strategy, climate-related risks and opportunities were identified as described above. The ongoing identification, assessment and management of climate-related risks is complex and multi-dimensional. Currently, our markets and business units perform a high level impact assessment and review the adequacy and effectiveness of controls in addressing climate-related risks as part of our Governance Assurance Framework (GAF). We are in the midst of transitioning from the GAF to an Integrated Assurance Framework, which provides a more holistic and robust basis of assurance for the adequacy and effectiveness of our risk management and internal control system.

The process identifies risk, including climate-related risks, from a top-down strategic perspective and a bottom-up perspective from each key market. We are committed to strengthening our organisational capabilities in addressing climate-related risks.

Metrics and Targets

The key metrics and targets we have set are reductions in our GHG emissions intensity and growth of our renewables portfolio.

We have set emissions intensity targets to be in line with the scale of reductions required to keep the increase in global average temperature to below 2°C above pre-industrial levels as per projections in the IEA World Energy Outlook 2016. Our target is to reduce our GHG emissions intensity[1] from 0.54 tonnes of carbon dioxide equivalent per megawatt hour (tCO_2e/MWh) in 2017 to 0.42 tCO_2e/MWh by 2022, and to less than 0.40 tCO_2e/MWh by 2030.

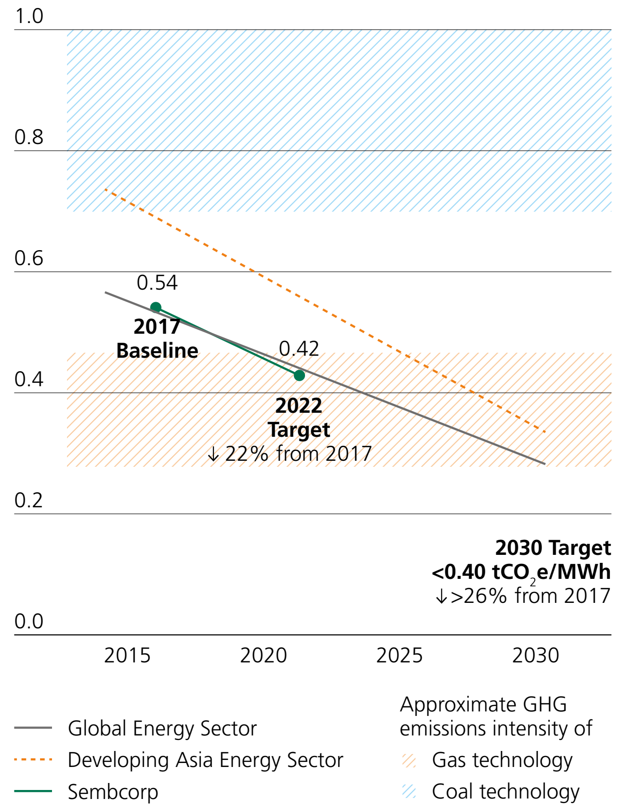
We plan to achieve these targets through two key thrusts. The first is to reduce negative impact by reducing emissions; the second is to move towards a balanced portfolio of low-carbon energy assets by growing our renewables capacity.

Our wind and solar energy assets generate low-carbon energy for customers. In 2018, we grew our wind and solar power capacity in operation and under development by around 20% to 2,600 megawatts. This is equivalent to taking approximately 550,000 cars off the road for a year[2] or avoiding 2.5 million tonnes of carbon dioxide equivalent (CO_2e) emissions.

[1] Refers to GHG emissions intensity of our Utilities business' assets that produce GHGs from the combustion of fossil fuels

[2] Based on an average car emitting 4.6 tonnes of carbon dioxide per year. Source: US Environmental Protection Agency, 2017

GHG Emissions Intensity (Current and Targeted) Compared with IEA's 2°C Scenario *(tCO_2e/MWh)*



Resource Management

Sembcorp provides solutions in energy, water and waste management that support a circular economy and help minimise the use of resources.

In addition, we are committed to innovation and undertake various initiatives to improve operational efficiency in our energy and water plants. We collaborate with institutions of higher learning, research institutes as well as private sector players to explore solutions. To further encourage innovation from the bottom up, Sembcorp's !DEA Awards Programme also recognises innovative ideas and efforts across the Group.

Energy management

Our power business generates electricity and steam. To ensure our assets generate energy efficiently, we invest in the latest technologies when developing new plants as well as retrofitting existing ones. We proactively pursue optimisation to improve our efficiency while reducing emissions. Energy efficiency parameters are embedded in our plant operation management systems and are monitored daily. A technical forum discussion is held monthly for our global energy operations to facilitate best practice case studies and sharing of operational and efficiency issues.

Water and wastewater management

Our water business comprises industrial wastewater treatment, water reclamation and seawater desalination. Through these services, we are able to provide solutions to issues related to water scarcity as well as water pollution.

Sembcorp's comprehensive suite of water solutions is able to integrate water supply, wastewater treatment and water reclamation into a closed loop for our customers. This approach minimises liquid discharge and reduces environmental impact while conserving water resources. In treating industrial wastewater, we apply innovative technologies to treat multiple streams of industrial wastewater we receive from our customers. We leverage different wastewater influent profiles to optimise the wastewater treatment process. In doing so, we reduce both energy consumption and chemical use in our treatment process. In some of our plants, we further channel a proportion of treated water for reclamation, and the reclaimed water is supplied to our customers for their industrial processes. In Singapore, our NEWater plant produces reclaimed water that helps meet Singapore's potable water needs.

Our large-scale integrated power and desalination plants use multi-stage flash distillation and reverse osmosis to provide high-quality water to industries and households in water-scarce areas such as Oman and the UAE. Our desalination plant in the UAE uses waste steam from our power plant as part of its water production process.

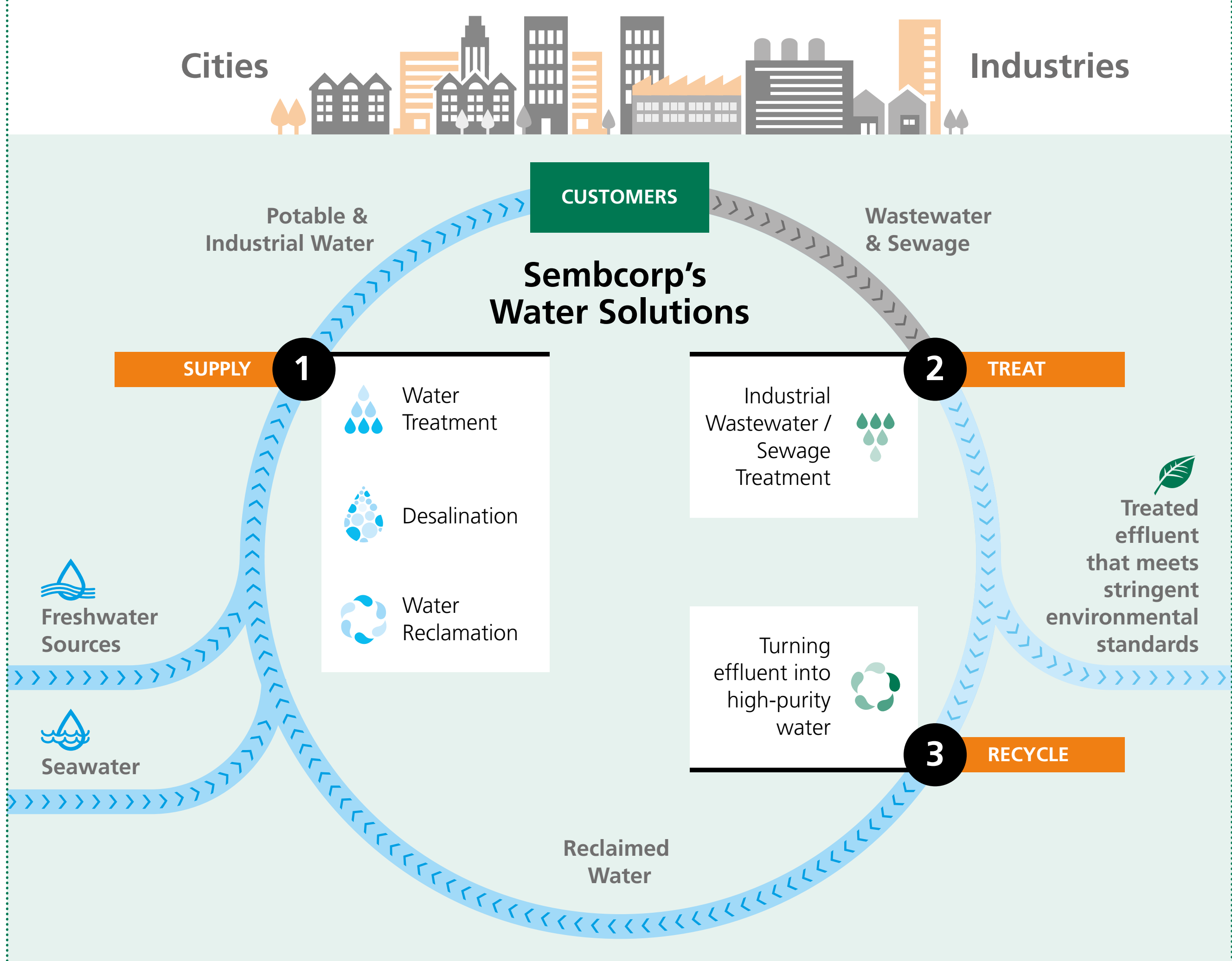
Energy plants use large amounts of water for cooling purposes. A majority of our energy plants use seawater for cooling purposes, to minimise the use of freshwater and groundwater. In some of our power plants, we further employ closed loop cooling water systems to minimise water drawn from the ocean.

Waste management

We aim to apply a circular approach across our businesses. We operate energy-from-waste plants in Singapore and the UK, where energy is generated from waste. In our coal-fired power plants in India, fly ash is generated as a by-product of the combustion of coal. We channel the majority of this fly ash to vendors who recycle it into cement and bricks.

In our industrial wastewater treatment operations, we actively look to reduce the volume of sludge generated as a by-product of the treatment process. Where feasible, our sludge disposal vendors convert non-hazardous sludge into products such as bricks and plant fertiliser.

Sembcorp's Total Water Management Capabilities



Recovering Energy from Waste

In 2018, our Energy-from-Waste Plant in Singapore started commercial operation. The plant is designed to consume 1,000 tonnes of industrial and commercial waste per day collected by Sembcorp's solid waste management operations. We also recycle woodchips processed from construction and demolition waste to produce steam at our Woodchip Boiler Plant. In doing so, we use around 16%[1] of Singapore's wood waste annually. At our biomass plant in the UK, we also generated 232,000 megawatt-hours of electricity, which is equivalent to the annual electricity consumption of over 60,000 homes[2].

1 Based on waste management figures. Source: National Environment Agency, Singapore, 2017

2 Based on Sub-national Electricity and Gas Consumption Statistics. Source: Department for Business, Energy & Industrial Strategy, England, 2018

Local Environmental Protection

We are committed to integrating environmental protection and stewardship into our operations, in the belief that sound practices and performance in this area can help mitigate environmental risks while contributing to a sustainable future.

We adopt the Precautionary Principle in our approach to managing environmental risks, carefully assessing the potential environmental impacts from our operations and applying appropriate control measures to minimise them. In particular, we are focused on keeping our atmospheric emissions below legally acceptable levels, avoiding any pollution from effluents or disposal of waste and hazardous substances, preventing spills and environmental incidents, and monitoring our environmental noise.

We are guided by the principles and practices set out in our Statement of Commitment to Environmental Protection and Environmental Protection Management Guidelines. We also aim to fully comply with all applicable environmental regulations and requirements.

We integrate environmental considerations as a priority in our planning for all existing and new operations, products and services. We conduct environmental assessments in accordance with national and / or international standards and methodologies. These include environmental and social impact assessments, environmental baseline studies and pollution control studies. Recommendations from these assessments form part of our management of health, safety and environment (HSE) risks, and these recommendations are incorporated into the planning, design, construction and operation of new plants.

We apply stringent controls to the management of waste generated by our operations and strive at all times to adhere to discharge and emission limits set by local authorities. We implement containment measures to minimise any direct impact on the environment and the surrounding community.

Our Group HSE Management System's Incident Investigation and Reporting Requirements allow us to take systematic steps and actions in response to HSE incidents and near misses, to prevent recurrence. Our Integrated Assurance Framework (IAF) sets out the three lines of defence that ensure compliance to our operating standards, and that such standards are effective.

For more information on our IAF, please refer to page 104.

Our performance

In 2018, Sembcorp was ranked 27th in the Top 100 Green Utilities and 11th in the Top Generators ranked by Renewables Capacity in Energy Intelligence's Top 100 Green Utilities. Sembcorp is the only company from Singapore on the list, which ranks the world's leading electric utilities based on their renewable energy portfolios and GHG emissions. In 2018, we grew our renewables capacity by over 400 megawatts to 2,600 megawatts, resulting in renewables accounting for over 20% of our total energy generation capacity of nearly 12,500 megawatts.

As part of our continual efforts to ensure the accuracy and consistency of our environmental data, we adopted a cloud-based environmental data reporting system in 2018.

To further encourage innovation from the bottom up, Sembcorp's !DEA Awards Programme recognises innovative ideas and efforts across the Group. Some of the winning ideas in 2018 included autonomous drones for inspections, insulator and heater temperature controls, and the use of ultra low frequency technology to reduce biofouling.

Climate Change

We launched our Climate Change Strategy in 2018 and set reduction targets for our GHG emissions intensity as well as growth targets for our renewables capacity by 2022. We achieved healthy growth in our renewables portfolio in 2018. Our emissions intensity registered a slight increase. However, we remain committed to meeting our 2022 target. We increased our engagement on numerous platforms to highlight the importance for businesses to take action to combat climate change. Our Group President & CEO and other senior executives participated in various climate-related panel discussions, including a Carbon Pricing Leadership Coalition plenary and the CleanEnviro Summit.

Resource Management

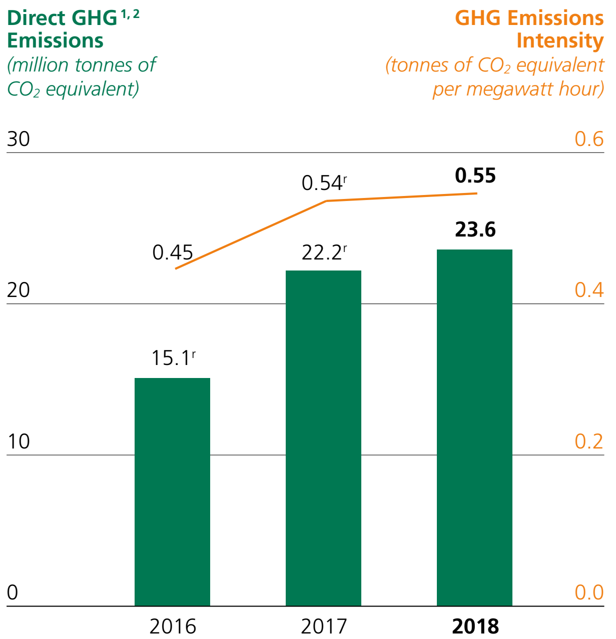
Across our plants, we pursue initiatives to increase efficiency. In the UK, we introduced the use of kaolin, a naturally occurring mineral, in our biomass power plant processes. This helps to reduce slag formation, leading to increased reliability, reduced maintenance costs and financial savings. In our India thermal plants, we introduced electric vehicles, buggies and bicycles for employees to quickly and safely move around our sites. This helps us reduce vehicular emissions. We also launched our Virtual Brain water monitoring system in our water plants in China. This system monitors and predicts water effluent quality against regulatory compliance standards and recommends corrective actions through machine learning. The Virtual Brain monitoring system will be progressively rolled out to our other water plants. In one of our Singapore wastewater treatment plants, we piloted a project using cutting-edge membrane and ozonator technologies to lower energy consumption. We also partnered with a Singapore university to develop an advanced biological process to achieve higher quality effluent at a lower treatment cost. These two projects are ongoing and, if successful, will help us reduce our environmental impact while bringing about energy and cost savings.

Our Material ESG Issues

In line with the methodology used for the development of our GHG emissions intensity targets, we started reporting our GHG emissions and emissions intensity using an equity share approach from 2017. The slight increase in the absolute emissions and emissions intensity in 2018 was due to increased electricity generation at our India thermal power plants.

We report emissions from the combustion of biomass separately, in accordance with Global Reporting Initiative Standards. These emissions amounted to approximately 447,000 tonnes of carbon dioxide equivalent in 2018, compared to around 442,000 tonnes in 2017.

Direct GHG Emissions (Scope 1) and GHG Emissions Intensity



[1] Emissions data covers entities that produce GHGs from the combustion of fossil fuels consumed in our Utilities business' assets. It excludes emissions from anaerobic wastewater treatment plants, and maintenance and servicing equipment. Only CO_2, CH_4 and N_2O emissions are included in the calculation of direct GHG emissions. Global warming potential factors used are from the UN 2006 Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report for 2016 data, and the IPCC Fifth Assessment Report for 2017 and 2018 data. A 100-year time horizon is applied

[2] Emissions data for 2016 is presented using an operational approach, while emissions data for 2017 and 2018 are presented using an equity share approach

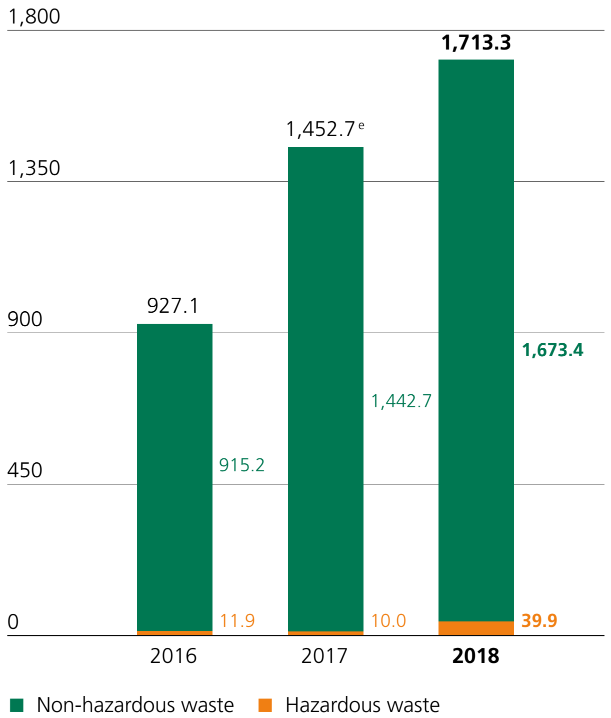
[r] Indicates restated figure. After an internal verification exercise, direct GHG emissions for 2016 and 2017 have been restated to 15.1 and 22.2 million tonnes of CO_2 equivalent respectively, instead of 15.4 and 22.7 million tonnes of CO_2 equivalent as previously reported. GHG emissions intensity for 2017 has been restated to 0.54 tCO_2e/MWh instead of 0.55 tCO_2e/MWh as previously reported

Local Environmental Protection

The increase in non-hazardous waste generated in 2018 was due to increased electricity generation at our India thermal power plants. The non-hazardous waste comprised mainly fly ash, a by-product of coal combustion in power plants. In 2018, we achieved an overall fly ash recycling rate of nearly 75%, which amounted to nearly 1.1 million tonnes.

In 2018, we registered zero significant spills at our global operations. A significant spill is defined as that which resulted in a fine equal to or above S$50,000.

Waste Generated[1,2] *(thousand tonnes)*

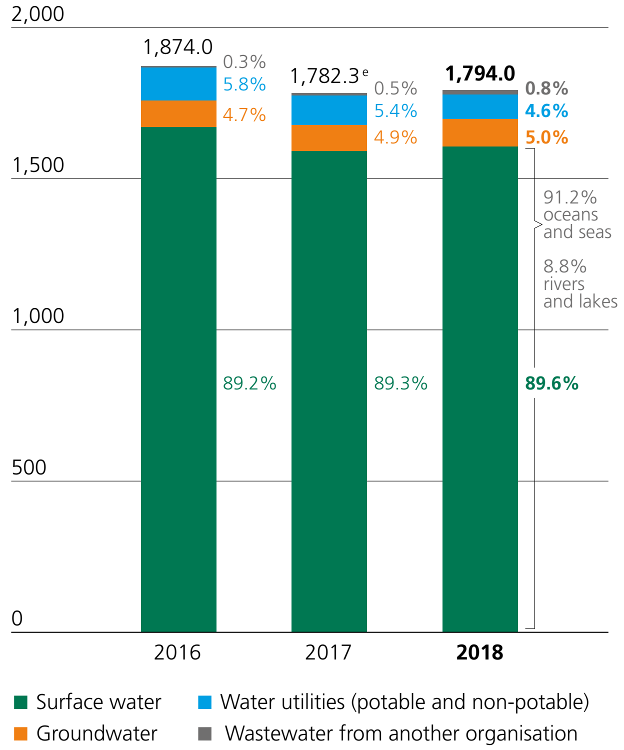


[1] The data excludes waste that is collected and incinerated for our customers

[2] Hazardous and non-hazardous waste are defined by relevant country regulations in each market

[e] Indicates data is based on management's best estimates; we have since refined the accuracy and consistency of the data

Water Withdrawal[1,2,3] *(million m³)*



[1] Data is collected from meters

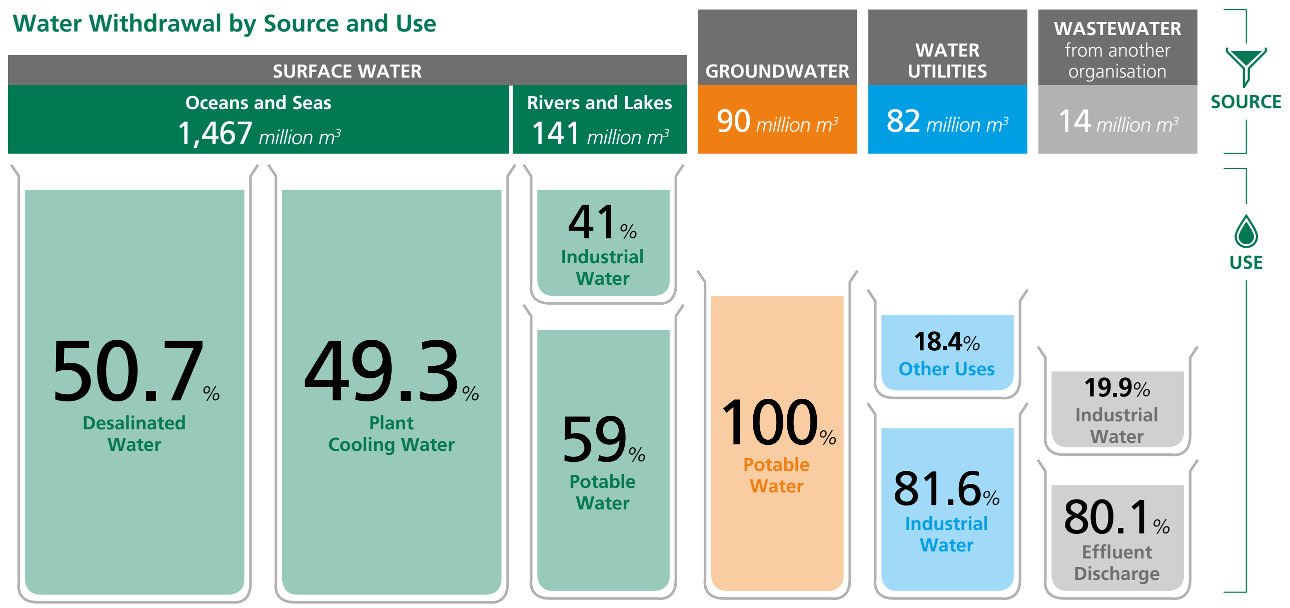
[2] Water withdrawn during asset construction as well as water withdrawn during plant commissioning for a closed loop cooling system is excluded from the reporting scope

[3] Percentages may not add up to 100% as they are rounded to the nearest one decimal place

[e] Indicates data is based on management's best estimates; we have since refined the accuracy and consistency of the data

In 2018, over 90% of the surface water drawn comprised water from oceans and seas. We saw a decrease of nearly 11% in the amount of water drawn from rivers and lakes. There was a decrease of around 14% in the water we obtained from water utilities, which was treated non-potable industrial and domestic wastewater. These decreases were due to the divestment of our South African municipal water assets in 2018.

Water Withdrawal by Source and Use



Empowering Our People and Communities

Health and Safety

Our Priorities

Making health and safety an integral part of our everyday business and culture

Relevant SDGs

8 Decent Work and Economic Growth

How We Did in 2018

Our injury rates showed an overall improvement. Regrettably, we suffered one fatality in 2018. We are committed to achieving zero fatalities

> Pages 100 and 101

People

Our Priorities

Creating a values-based and performance-led culture. Providing an engaging employment experience where our people can grow and excel

Relevant SDGs

4 Quality Education; 8 Decent Work and Economic Growth

How We Did in 2018

We developed and launched the Sembcorp Mindset and Leadership Competencies. We also saw an increase in training hours from 2017, registering an average of 25.2 hours of training per employee

> Pages 101 and 102

Community

Our Priorities

Contributing to the sustainable development of our communities through engagement and partnerships, and investing in initiatives that make a lasting positive impact

Relevant SDGs

3 Good Health and Well-being; 4 Quality Education; 6 Clean Water and Sanitation; 7 Affordable and Clean Energy; 11 Sustainable Cities and Communities

How We Did in 2018

We made community investments of S$1.1 million. 52% of our operations had local community engagement and development programmes

> Page 102

Why this is material

Health and Safety

Sembcorp develops and operates power and water plants as well as other facilities, where extensive health and safety precautions are required. It is our responsibility to ensure that globally, all our employees and contractors are competent and equipped to work safely. We recognise our duty of care to provide a safe workplace for those who step into our premises, and we work hard to fulfil that duty. The health and safety of our customers is also a key priority – especially in our municipal water operations, where any lapse in health and safety protocols can result in a direct impact on people in the community.

People

The industry we operate in is becoming increasingly complex due to market disruptions by technological advancement, climate change and resource scarcity. We have responded to these complexities by repositioning our businesses and organisation, pursuing growth strategies and building new capabilities. Our employees play a vital role in ensuring we achieve our business strategy and goals. There is therefore a critical need to develop and retain a capable, highly motivated and adaptable workforce to navigate this changing landscape. Of the issues relating to our people, our materiality review process has identified the following to be important areas of focus:

- Employee development
- Employee compensation and benefits
- Employee engagement
- Employee wellness
- Diversity and equal opportunities
- Human rights and labour standards

Community

Sembcorp's long-term success is based on being a valued partner to the communities we operate in. While Sembcorp's businesses play an important role in supporting economic development and improving living standards in our communities, we recognise that there are social and environmental impacts on the communities around us as a result of the development and operation of our plants. Therefore, as part of our licence to operate, we aim to contribute to the sustainable development of our local communities through engagement and partnerships, and investing in initiatives that make a lasting positive impact.

Cultivating a Safety Culture

Health and safety is an integral part of our everyday business and culture. We recognise that having and maintaining good safety performance requires an organisational safety culture and the right mindset. Our past efforts in safety management have borne fruit, as we continue to see a downward trend in our injury rates.

To further improve our safety performance, we have embarked on a behaviour-based safety observation programme in Singapore. The programme focuses on cultivating an organisational culture where safety is everybody's responsibility, through affirming positive safety behaviour and encouraging corrective actions. We are testing a web-based application to record observations and analyse the recorded safety performance data. Results from analyses done allow for the identification of gaps in safety performance, and hence feed into a more targeted response to enhancing safety. The programme will be progressively rolled out to Sembcorp employees across all markets.

Our approach

Health and Safety

Occupational health and safety

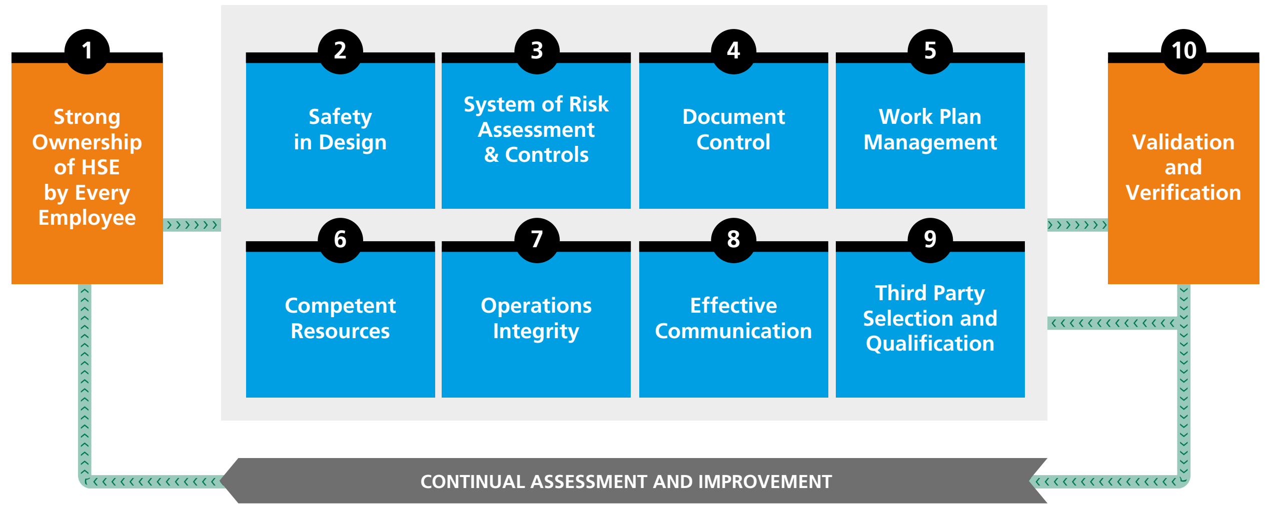
Our vision is to be an organisation with a proactive health and safety culture. We are committed to working towards the goal of zero fatalities and injuries in our workplace, with a workforce that puts safety first. We benchmark our health and safety performance against relevant global industry safety statistics, such as the International Oil and Gas Producers Global Safety Performance Indicators, and aim for progressive improvement. As our operations grow in different markets, the security of our staff and assets is also becoming increasingly important for us to manage. In response to this, we have adopted a phased approach in the development of our security management programme, starting with a focus on projects under development.

We have put in place structures and processes to meet our goal, including:

- Board review
- Oversight by the board's Risk Committee
- Leadership by our Group President & CEO
- A Group Health, Safety and Environment (HSE) management system framework comprising:
  - Group HSE Policy
  - Group HSE management system guidelines and standards

The Group HSE management system framework provides guidelines and standards detailing expectations and principles relating to different aspects and activities that take place at a plant or site. It is further supported by Sembcorp's 10 Elements for Good HSE. We value lives and are committed to safety, and believe that this is a responsibility shared by all employees across the organisation. Health and safety key performance indicators have been embedded into relevant employees' scorecards, and the award of performance incentives for all

Sembcorp's 10 Elements for Good HSE



employees specifically takes into account the Group's health and safety performance for the year.

Assurance
Our Group Health, Safety, Security and Environment (HSSE) assurance is aligned with the Integrated Assurance Framework (IAF) that we are transitioning to. The IAF adopts a three lines of defence (LOD) approach that sets in place a robust accountability system in order to ensure that there is continual improvement.

For more information on our IAF, please refer to page 104.

- First LOD – regular site-level HSSE inspections and evaluation of HSSE control effectiveness are conducted at all plants and sites as part of our assurance regime
- Second LOD – on-site operations reviews conducted by subject matter experts from other markets and the Global Operations department evaluate the effectiveness of the plants' or sites' HSSE controls. On an annual basis, a validation and verification schedule is formulated using an internal risk-based assessment to ensure that the assurance exercise will focus on higher risk areas. Plants or sites with higher risk ratings will be given priority in the assurance exercise. The results of the assurance then form the basis for the development of improvement plans at the site

For more information on our on-site operations reviews, please refer to page 100.

- Third LOD – the integrated audit provides independent assurance to ensure compliance with our operating standards

Training
Providing our employees with relevant HSE and technical capability development ensures that we have competent safety practitioners and line managers who support safe operations. Training plans are tailored to the particular operation or site's risk profile and local conditions, and is conducted on an ongoing basis. Examples of operations-specific training include defensive driving at our solid waste management unit as well as project commissioning and construction orientation for project development teams. An annual global HSSE workshop is also held as a platform for the learning and sharing of corporate initiatives and best practices from our different operations.

Product responsibility: safety and quality
Product safety and compliance is a priority as non-compliance can result in serious health, safety and operational issues for our customers, many of whom depend on us for basic utilities or require our products for their industrial processes. Compliance testing of our products is done at various stages, from manufacturing to distribution and supply. We have a robust maintenance and monitoring regime in place, which includes stringent inspections and preventive maintenance of all critical instruments including meters and sensors at both our and our customers' facilities. We also conduct regular laboratory tests to meet regulatory requirements and ensure that the water we produce is safe for our customers and end users.

People
Our operations span 15 countries across five continents where labour laws, regulations, employment codes and practices differ widely. All our local human resource policies comply with local laws.

Our human resource practices are guided by the following:

- Oversight by the board's Executive Resource & Compensation Committee
- Oversight by the Senior Leadership Council
- The Sembcorp Mindset and Leadership Competencies
- Our Code of Conduct
- Our Human Rights Policy
- Our Harassment Policy
- Our Grievance Handling Policy

Human capital risk is monitored as part of our key risk indicators and reported biannually to the board's Risk Committee.

Employee development
As part of equipping our workforce to respond effectively to change and disruptions in our operating context, we reviewed our approach to workforce management. A key outcome from this review was the development and launch of the Sembcorp Mindset and Leadership Competencies.

The Sembcorp Mindset determines who we are and how we should operate our business. Known as the five Cs – Creative Insight, Committed, Connected, Courageous and Curious – they represent our promise to internal and external stakeholders and are critical to support our business strategy as we adapt to changes in our operating context. The new Leadership Competencies define the key characteristics of a Sembcorp employee. Underpinning each of the above competencies are anchor behaviours that we have identified as critical to drive organisational performance and build future business leaders.

Employee development is a key lever of Sembcorp's transformation and is underpinned by the Leadership Competencies. With our training programmes, we aim to reskill employees to be future-ready by driving behavioural change. We are focused on building our internal leadership pipeline as part of succession planning. Part of supporting Sembcorp's transformation efforts also involves building our

digital capabilities to improve the efficiency of our business, the security of our and our customers' data, and our assets and operations.

We also ensure that local talent are placed in senior management roles in each market we are in. This is key to improving our ability to understand local market conditions, while supporting capability building in the local communities.

Effective performance management is also a critical component of Sembcorp's business transformation. It involves aligning our employees' competencies to our new business direction, as well as recognising their contributions. This is facilitated through our newly launched performance management system LeAD (Lead, Appraise, Develop).

Aligning Goals and Developing Competencies

To support Sembcorp's ongoing transformation effort, we launched and rolled out our enhanced performance management system LeAD in our key markets of Singapore, India and China, and are rolling it out in phases in the UK. This system facilitates a more structured and concerted effort to set and cascade goals, and moves the focus of the performance management system from being an assessment mechanism to one that focuses on the coaching and development of staff. The Sembcorp Leadership Competencies were introduced as a key measure of performance to facilitate culture change as part of business transformation. Staff in these key markets have attended training on LeAD principles and the Sembcorp Leadership Competencies.

Employee compensation and benefits
To attract, motivate and retain employees, Sembcorp's remuneration and reward system is market competitive and performance-based. To determine salary levels and benefits, regular reviews and benchmarking are conducted against local standards and data from global market surveys and consultancy firms. In countries where there is a minimum wage policy, Sembcorp pays above the minimum wage.

Sembcorp adopts an equal pay policy where rewards are based entirely on merit and performance. Salary increases are based on individual performance and benchmarked against the external market as well as negotiations with employee unions and guidelines issued by the local government. Annual variable bonuses are based on the Group's performance as well as employees' performance against individual targets set jointly with their supervisors.

Providing an engaging employee experience
Employee engagement
As part of employee engagement, our senior leaders deliver consistent communications about the company's vision, strategy and progress. Quarterly staff communication sessions are conducted face-to-face where possible and via webcast to a global audience. Each session is also followed by an open dialogue where employees can send in their questions and feedback. Additionally in Singapore, we hold monthly "Meet

the Leaders" sessions for our senior leaders to share about their personal leadership experiences and upcoming projects, as well as for employees to engage with them in an informal setting.

Over the course of the year, organisational updates, internal campaigns as well as business milestones are communicated via channels such as briefings and workshops, emails, the intranet and other interactive internal digital platforms.

Employee wellness
We recognise the impact of wellness on our employees' overall effectiveness and have set aside a dedicated wellness budget in countries where we have major operations, such as Singapore, China and India. The budget is available for department heads to use for activities that encourage employee well-being and team bonding. We also provide Group Term Life and Group Personal Accident coverage in all our key markets. Besides mandatory medical screenings for employees potentially exposed to occupational health hazards, voluntary annual health screenings are available free of charge to all employees in Singapore, China, India, Oman and the UAE.

In 2018, we launched the Business Psychological Resilience Programme (B-PREP) in Singapore. B-PREP aims to provide employees with a safe, supportive and caring environment to seek help when exposed to critical incidents that impact them emotionally and psychologically.

Around the world, employee-led committees within our operations organise a range of recreational activities as well as nutrition and stress management programmes to support employees' physical and mental well-being.

Promoting a fair and equitable work environment
Diversity and equal opportunities
Sembcorp is committed to promoting a fair and equitable work environment for all employees. We believe all employees should have the opportunity to thrive in a diverse workplace free from harassment. We recruit, promote, reward and provide career advancement and development opportunities based on merit and without discrimination on the basis of age, race, gender, sexual orientation, religion, family or marital status. Our Senior Leadership Council is represented by more than five different nationalities and our global workforce includes people from over 35 nationalities.

Human rights and labour standards
Our Human Rights Policy defines our responsibility to ensure the highest respect for human rights and the company's expectations of our workers and business partners. We are committed to uphold and respect the spirit of the UN Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. We are also guided by the UN Guiding Principles on Business and Human Rights. Our Code of Conduct sets out our stance on fairness, opportunity, non-discrimination, dignity, respect and harassment. We abide by the Employers' Pledge of Fair Employment Practices under Singapore's Tripartite Alliance for Fair and Progressive Employment Practices. We do not hire forced or child labour in our operations.

We abide by local laws wherever we operate. Our Human Rights Policy states that Sembcorp employees are entitled to practise freedom of association and to be covered by collective bargaining agreements in the workplace, within the regulatory boundaries of each of the jurisdictions. We hold constructive ongoing engagements with employee unions in our various operations. In countries where our operations are covered by collective agreements, we abide by the terms stated in these agreements, including those relating to minimum notice periods. Procedures for grievance handling are also specified in the agreements. Where collective agreements do not exist, we abide by the terms stated in employment contracts.

Our grievance mechanisms are readily available and transparent. We strictly prohibit any form of retaliation against an individual who raises a grievance in good faith. The grievance procedure sets out our approach for the fair handling of employee grievances, and employees have confidential channels to submit feedback.

Our Grievance Handling Policy complements the group-wide Whistle-blowing Policy, which encourages all employees to report any possible improprieties on a confidential basis, without fear of recrimination. The company has an easily accessible whistle-blowing portal, and employees may also provide feedback via email or phone. The right to a work environment free from harassment is part of our Human Rights Policy. In the event of harassment, we ensure that remediation is undertaken in line with our Grievance Handling Policy.

For more information on our Code of Conduct, Human Rights Policy and Whistle-blowing Policy, please visit the Report & Policies page in the Sustainability section of our website.

Community
As we build successful and sustainable businesses, societies and communities benefit. Our operations generate employment, contracts for local suppliers and tax revenues for governments and result in infrastructure development in our host communities. The direct economic value generated and distributed by our businesses can be found on the following page. We also recognise that our operations bring changes to our communities and can have positive or adverse environmental and social impacts that vary across our operations.

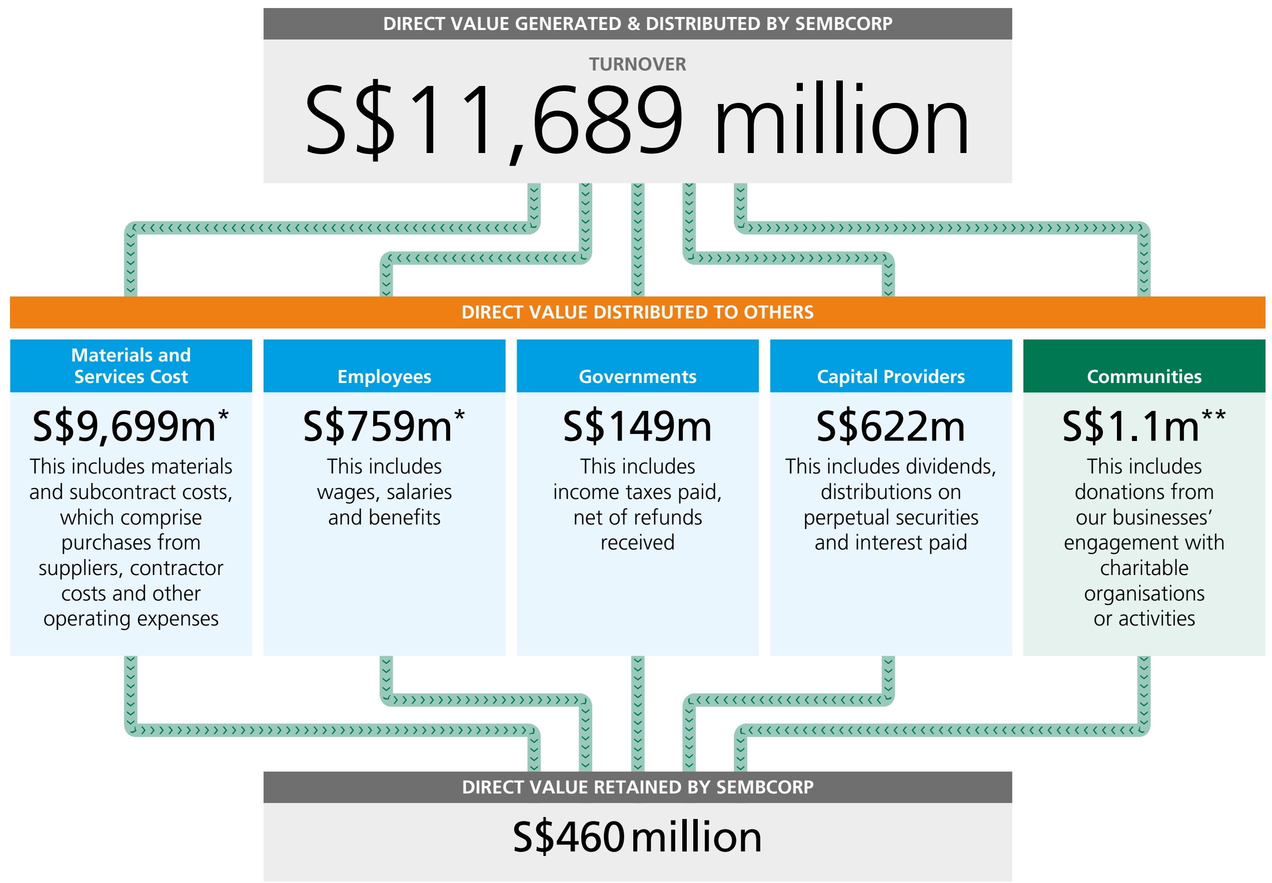
As a company with operations across five continents, we understand first-hand how the needs of one community can be very different from another. We believe that our local operations are best placed to not only understand the needs of the community, but also forge partnerships with local stakeholders. Therefore, while the Group provides the strategic framework, tools and guidelines to ensure consistency and acceptable standards, community assessments and engagements as well as contributions are managed at the local level.

Assessment and engagement
Our assessment and engagement of the community is guided by our Group Stakeholder and Community Engagement Policy as well as our Group Community Grievance Management Policy. Environmental and social impact studies are carried out in accordance with international and / or national standards for major new projects and expansions. These studies typically include social management plans that are implemented by the operations teams through the various stages of a site's development.

Community investment
Sembcorp's global Corporate Social Responsibility (CSR) Framework provides a strategic and consistent approach for our charitable contributions and community investments. We focus on fostering environmental stewardship and improving quality of life for the communities we are in.

Our CSR Framework aligns the tracking and reporting of our community contributions with guidelines set by the LBG (formerly known as the London Benchmarking Group). This allows us to account for our total community giving using standard definitions and valuations, and helps us ensure that the contributions recorded are meaningfully spent on community investment activities.

For more information on our key programmes, please visit Our Focus Areas: Social page in the Sustainability section of our website.



* On an accruals basis
** Figure presented separately for information. Covers data from Sembcorp and our subsidiaries excluding Sembcorp Marine

Our Material ESG Issues

Securing Access to Clean Drinking Water

Sembcorp installed 14 water treatment plants within the 13 villages that surround the Sembcorp Myingyan Independent Power Plant in Myanmar, providing more than 19,000 people with access to clean drinking water within 500 metres of their homes. Toilets were also installed in schools within these communities. Additionally, given that the communities are located far away from the Ayeyarwady River, underground water tanks were also installed to provide a quick source of fire-fighting water.

U Chit Win, village head of one of the beneficiary villages, Sate Nyan Village, said, “We are thankful to Sembcorp for the installation of the water treatment plant and underground water tank for fire-fighting purposes. Our family feels safer living in Myingyan because, with Sembcorp’s help, my children have easy access to clean drinking water and our house is now safeguarded against fire.”

In line with our commitment to our priority UN SDG 6 (Clean Water and Sanitation), this initiative has helped provide safe drinking water for the communities surrounding our plant, and improved water and sanitation management.

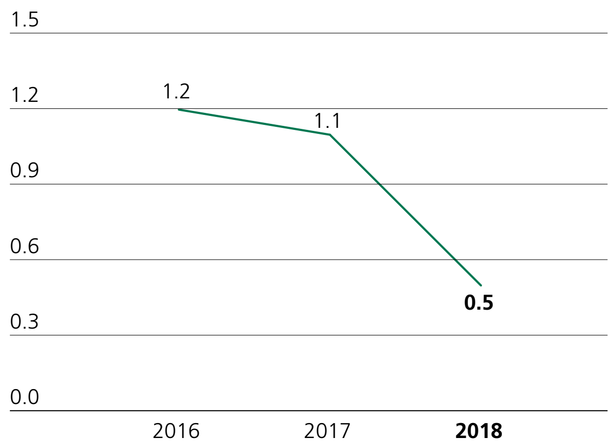
Our performance

Health and Safety

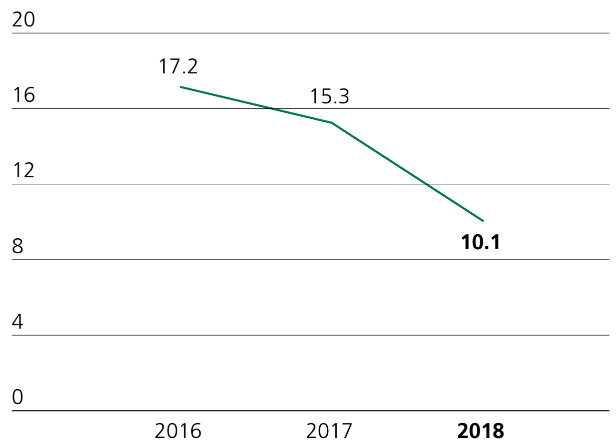
In line with our global footprint, we continued to focus on aligning our practices with international standards. Key initiatives include:

- Trade-based standards such as the Safe Lifting Operations and Working At Height standards were rolled out in 2018. We will implement a behaviour-based safety observation programme for all our operating assets by 2019
- Operations review activities were conducted to assist sites in identifying areas for improvement, such as operational processes and health and safety. The review exercise takes on a peer review approach, where each team conducting the operations review involves the participation of and feedback from other market functions. These collaborative efforts between our markets and Global Operations department aim to drive operational excellence by providing post-review support to the improvement efforts of each site
- An annual Global Operations and HSSE Workshop was last held in Singapore in April 2018. Critical control points for power assets were identified by representatives from all sites globally through a detailed process assessment exercise. These were then mapped to technical and HSSE standards, and, in response, site-specific standard operating procedures were developed to enhance risk management within our operations
- An injury case management programme was developed and piloted in Singapore. All injury cases are managed through a “Return To Work” programme, which encourages a positive safety culture by helping injured employees return to work quickly and supporting a culture of care in the company

Lost Time Injury Rate Per Million Man-hours [1,2]



Accident Severity Rate Per Million Man-hours [1,3]



1 Group Health and Safety Performance is reported and recorded in accordance with the reporting requirements defined in the Group HSE Health and Safety Performance Reporting Standards. The principles adopted in the Standards are consistent with the general principles of the Global Reporting Initiative Standards, the International Oil and Gas Producers Association Reporting Standards, and the US National Institute for Occupational Safety and Health. Occupational health and safety data covers employees and contractors in our operational assets. It excludes data from administrative offices and service companies. All injuries involved male employees and contractors

2 Lost time injury rate is defined as the number of fatalities and lost work day cases per million man-hours worked. It excludes first aid cases

3 Accident severity rate is defined as the number of lost work days per million man-hours worked. It has been charted to exclude fatalities. Accident severity rate including fatalities is reported as part of our detailed performance data available in the Performance and Data Commentary report in Our Performance page in the Sustainability section of our website

- The launch of our Group Security Management System, which sets a framework for the implementation of security policies and application of consistent security standards across our markets. These security standards are presently being developed and formalised

Despite our best efforts, it is with deep regret that we report one fatality in 2018 due to a contractor accident at one of our 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.

We closely monitor our safety statistics to ascertain the effectiveness of our initiatives. We believe that our efforts to improve our operations’ and sites’ abilities to identify and address unsafe conditions or actions have borne fruit. In 2018, we were encouraged by positive results in both our operating assets as well as projects under construction. We saw a more than 50% decrease in our lost time injury rate, and our accident severity rate has seen a consistent decrease in the past three years.

People

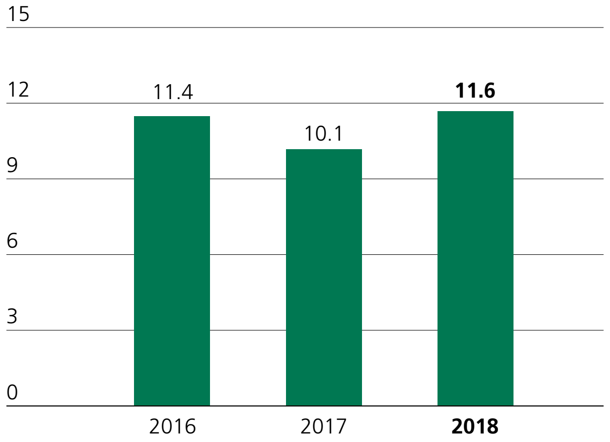
In 2018, a key enhancement of our approach to workforce management was the development and launch of the Sembcorp Mindset and Leadership Competencies. We also launched a new performance management system, LeAD, in our key markets of Singapore, India, China and the UK. There was 100% uptake of the system for the goal setting and performance review processes by over 3,500 staff in key markets within six months of its launch.

We continued with the Sembcorp Leaders’ Programme (SLP), which has received consistently positive feedback. With the launch of the new Leadership Competencies, the SLP will be reviewed as part of the holistic Learning and Development framework to incorporate future skills needed to develop our employees and leaders.

Employee turnover rate was stable, increasing slightly from 10.1% in 2017 to 11.6% in 2018. The voluntary turnover rate increased from 8.4% in 2017 to 9.3% in 2018. We recognise the potential impact that our transformation efforts may have on our employees, and remain committed to consistently engage our employees and equip them with skills to cope with future changes as we continue to implement our new strategy.

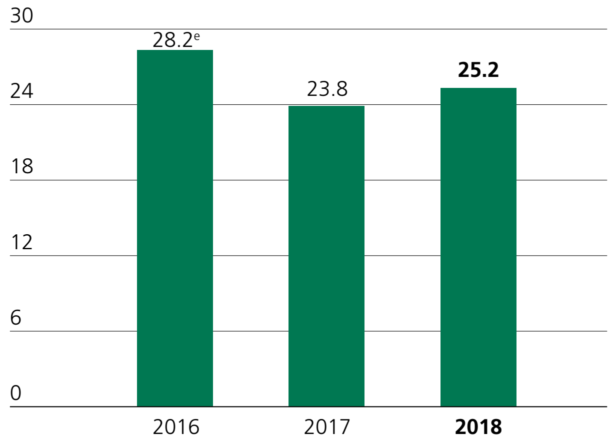
The average number of training hours per employee was 25.2 hours in 2018, an increase from 23.8 hours in 2017. This increase reflects our efforts to build up our employees’ capabilities to respond effectively to ongoing industry change and disruption.

Employee Turnover* *(%)*



* The data covers both voluntary and involuntary turnover of permanent employees of Sembcorp and our subsidiaries, excluding Sembcorp Marine

Average Training Hours per Employee*



* Training data covers both permanent and contract employees of Sembcorp and our subsidiaries, excluding Sembcorp Marine. Other indicators in the People section relate to permanent employees of Sembcorp and our subsidiaries, excluding Sembcorp Marine

e Indicates data is based on management's best estimates; we have since further refined the accuracy and consistency of the data

Community

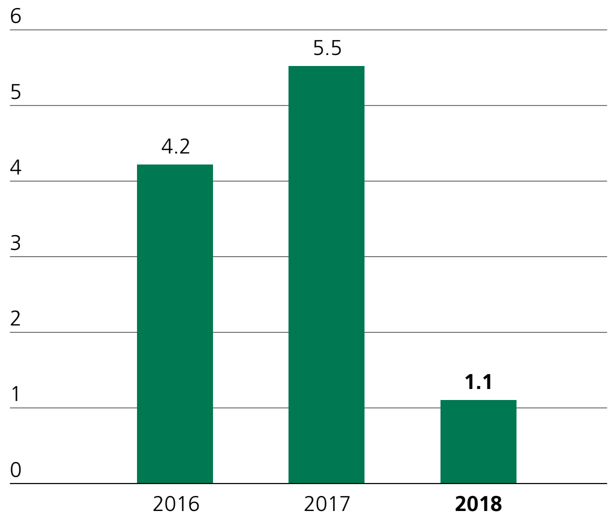
In line with our commitment to manage our impact on the community responsibly and better mitigate the environmental and social impacts of our businesses, key community investments and programmes are designed in consultation with local communities as guided by our CSR Framework. In 2018, we reviewed and enhanced our CSR Framework to develop a more strategic approach with our community investments. The updated framework will be launched and implemented in 2019. We also plan to grow the percentage of our operations with community investment programmes.

As part of our commitment to SDG 6, one of our priority SDGs, we invested in programmes to secure access to safe drinking water for communities living in the vicinity of our plants. In 2018, we installed 14 water treatment plants in Myanmar. To date, we have installed a total of 27 water treatment plants that benefit more than 68,000 people in over 50 villages in India and Myanmar.

Our community investments also aim to impact the lives of youth in these communities. We have designed holistic education programmes that not only include the physical upgrading of school building infrastructure, but also awareness raising campaigns on issues such as personal healthcare and drug addiction. In 2018, we renovated over 35 schools and classrooms, benefitting more than 6,700 students in India and Myanmar.

In 2018, Sembcorp contributed S$1.1 million in cash and in-kind to charities and community initiatives globally. Over S$470,000 comprised mandatory contributions and close to S$15,000 were leveraged contributions. These contributions supported causes such as environmental and water conservation education, as well as youth development, apprenticeships and job training programmes. There was a decrease in our community investments as we paid out the final instalment of our investment in the enhancement of the Cool House at Singapore's National Orchid Garden in 2017.

Community Contributions *(S$ million)*



Total volunteer man-hours amounted to more than 4,000 hours, of which over 25% was spent outside of working hours due to event requirements.

Embedding Responsible Business Practices

Corporate Governance

Our Priorities

Maintaining an effective governance and decision-making structure

Relevant SDGs

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

How We Did in 2018

We continue to be placed in the top 10 of the Singapore Governance & Transparency Index

> Page 108

Ethical Business and Compliance

Our Priorities

Fostering an ethical culture and conducting our business with integrity, and ensuring we comply with all legal and regulatory requirements

Relevant SDGs

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

How We Did in 2018

We rolled out our revised Code of Conduct and conducted training on the Code. Over 99% of our staff have since acknowledged their compliance with the Code

> Page 108

Risk Management

Our Priorities

Ensuring effective identification of material risks and putting in place an adequate and effective risk management and internal control system

Relevant SDGs

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

How We Did in 2018

We are in the midst of transitioning our current Governance Assurance Framework (GAF) to an Integrated Assurance Framework (IAF)

> Pages 104 and 108

Why this is material

Corporate Governance

We define corporate governance as the structures and processes in place for the transparent and accountable control and governance of our organisation. Well-defined corporate governance processes are essential to enhancing corporate accountability and long-term sustainability to preserve and maximise shareholder value.

Ethical Business and Compliance

Responsible business conduct and ethical business practices ensure the long-term viability of our businesses and build trust and confidence with our stakeholders. We are committed to high standards of behaviour and integrity in everything we do. We believe in conducting our business legally, fairly, honestly and with integrity, and expect the same of those whom we do business with. We have zero tolerance for fraud, bribery and corruption. Our businesses operate in highly regulated environments where non-compliance may subject us to statutory and regulatory fines and sanctions, including losing our licence to operate and material litigation. It may also result in damage to our reputation and credibility, limiting future growth opportunities.

Risk Management

Managing risk is an integral part of our business activities. As we continue to grow and expand globally, we are exposed to diverse risks, including strategic, financial, operational, compliance and fraud risks. Besides helping to preserve our bottom line by reducing the likelihood and impact of potential losses, risk management provides a common basis to evaluate new business opportunities. It also assures our board and shareholders that key enterprise and business risks faced by the organisation have been identified, assessed and managed with appropriate risk mitigation measures and controls.

Our approach

Corporate Governance

Sembcorp is led by an effective board comprising mainly independent non-executive directors. The board is collectively responsible for providing overall strategic direction and ensuring the long-term success of the Group. Several board committees have been established with clear terms of reference, both to assist the board in fulfilling its responsibilities and to provide independent oversight of management.

Furthermore, the board and management of Sembcorp recognise that well-defined corporate governance processes are essential to enhancing corporate accountability and long-term sustainability, and are committed to high standards of governance to preserve and maximise shareholder value. We comply with the principles and guidelines set out in the Singapore Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore, and our corporate governance practices are set out in the Corporate Governance Statement in this annual report.

Our Material ESG Issues

To facilitate the effective execution of both our internal processes and business needs, we have in place a clearly defined organisational structure which includes detailed roles and responsibilities for key appointment holders. This is further supported by an established matrix for delegation of authority as well as financial authority limits, which have been approved by the board. A comprehensive set of group-wide governance and functional policies ensure entity-level controls are also implemented across the Group. The Group's internal controls policy and manual, which adopts principles of the Committee of Sponsoring Organizations of the Treadway Commission, provides a framework for what constitutes an effective and adequate system of internal controls. It also provides guidelines on the appropriate segregation of duties and a checklist of recommended internal controls for operations in our various markets to put in place.

We are in the midst of transitioning our current GAF to an IAF to provide a more holistic and robust basis of assurance for the adequacy and effectiveness of our risk management and internal control system. The process identifies risk from a top-down strategic perspective and a bottom-up perspective from each key market, putting greater emphasis on the three lines of defence (LOD) model.

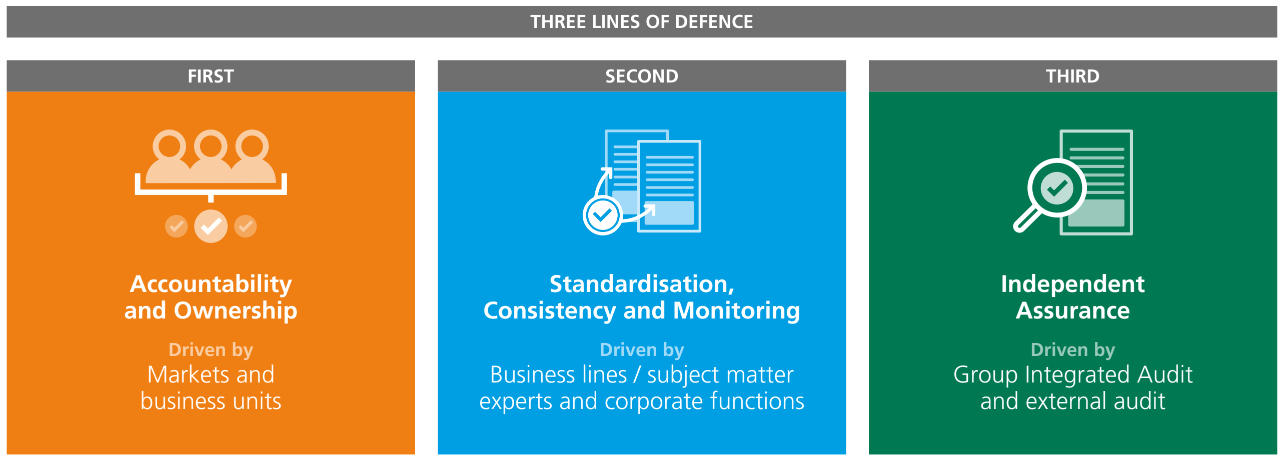
a. First LOD
Key markets and business units are required to regularly review their risk and internal control environment to ensure that they operate within the prescribed risk appetite. This is done through a combination of detailed risk and control registers and review processes, established escalation procedures and well-defined consequence management. In addition, a rigorous management attestation process, the Management Control Assessment (MCA), is submitted quarterly by each market and business unit to provide the assurance that its risk management and internal control system is adequate and effective.

b. Second LOD
The second LOD sets the policies, standards and standard operating procedures that the markets and business units are required to adopt. Additionally, submissions and responses from the MCA are further validated through substantive review by the business lines, subject matter experts and corporate functions as an added layer of assurance.

c. Third LOD
Group Integrated Audit (GIA) provides independent assurance across financial, operational, compliance and IT risks through a series of walkthroughs and substantive testing. Management works closely with GIA in closing out all material issues and gaps in a timely manner to ensure that there is continual improvement to our risk and controls environment as well as an effective feedback loop to the first and second LODs. External audit considers internal controls relevant to the preparation of financial statements to ensure they give a true and fair view.

Risk Management
The Group manages risk under an overall strategy, determined by the board of directors and supported by the board's Risk Committee and Audit Committee. The Risk Committee reviews and enhances the effectiveness of the Group's risk management and health, safety and environment (HSE) plans, systems, processes and procedures. It also regularly reviews group-wide risks including significant risk exposures relating to foreign exchange rates, commodity prices and major investment projects as well as corresponding risk mitigation plans. HSE policies, guidelines and limits are also regularly reviewed. Oversight for risk management within the Group's listed entities lies with their respective boards.

Sembcorp's Integrated Assurance Framework



Risk appetite framework
The board has determined a risk appetite framework for Sembcorp that forms a common understanding among both our board and management to execute the Group's strategy and objectives. Under this framework, the board has approved risk appetite statements with respect to the areas below. These are aligned with how the Group categorises our material issues for the management and reporting of our overall sustainability performance:

a. Economic
Sembcorp actively pursues global strategies to deliver sustainable long-term value and growth. We will continue to invest in and develop our capabilities and expand our business in both existing and new markets. Investing in such markets inevitably carries with it inherent risks; however, the Group is a disciplined investor with a robust investment approval process that calls for the necessary due diligence and risk management to be done. The Group has set appropriate limits for investment exposure in each country to manage concentration risk.

The Group is committed to maintaining a strong financial position and targets to achieve an investment grade equivalent credit rating to ensure access to funding and protect shareholder value. The Group has a defined set of risk management policies to manage our financial risks. The Group will not take part in any form of transaction that is deemed speculative in nature, under any circumstances.

b. Environmental
Sembcorp is committed to operate in a socially responsible manner to manage our impact on the environment, as well as provide high quality products and services that contribute to the sustainable development of the communities in which we operate.

In addition to being committed to complying with all applicable environmental standards and requirements through our established internal policies and processes, we assess the impact of environmental and climate-related risks on our business, and apply appropriate control measures to manage them. Where viable, we also invest in the latest technologies and utilise our capabilities to achieve better operational efficiencies and promote environmental sustainability.

c. Social
Sembcorp is committed to being a responsible business that ensures the health and safety of our people, and makes a positive impact on our people and communities.

In our pursuit of operational excellence and business growth, Sembcorp will not compromise the health and safety of our internal and external stakeholders. The health and safety of all our employees, contractors, customers and the public is of paramount importance to the Group. We take a serious view of any breach of health and safety standards and regulations across all our operations and facilities.

Sembcorp recognises the need to have in place a strong and competent team that is committed to our values for transformation and growth. Sembcorp will continue to equip our employees with the relevant capabilities / competencies and provide an engaging employment experience, thereby creating a values-based and performance-led culture to ensure a sustainable business.

Sembcorp is also committed to building our digital capabilities to improve the efficiency of our business and maintain an effective control environment to manage the cyber risk exposure of our and our customers' data and our assets and operations.

In addition, Sembcorp believes that as an integral part of our communities, we should conduct our business in a responsible manner and make a positive contribution to the communities in which we operate. The Group is therefore committed to high standards of business conduct, engaging our stakeholders and managing our environmental and social impact on local communities responsibly.

d. Governance
As a listed company on the Singapore Exchange that has both responsibility and accountability to a wide range of stakeholders, Sembcorp is committed to maintaining high standards of behaviour and integrity, and aims to be best in class for governance practices. The Group will strive to comply with all applicable laws and regulatory requirements in the countries where we operate, including adopting a zero tolerance stance towards any form of fraud, bribery and corruption. We expect all employees to adhere to the guidelines set forth in the company's Code of Conduct (CoC).

Our risk appetite statements are also supported by key risk indicators, which are monitored and reported to the board's Risk Committee on an ongoing basis.

Enterprise risk management
The Group is committed to ensuring that an effective and practical enterprise risk management (ERM) framework is in place. Our framework aims to safeguard our people and assets, protect shareholders' interests, facilitate informed decisions for value creation and ultimately enhance our brand and reputation. In designing our ERM framework, the Group has adapted and made reference to various industry risk

management standards, such as ISO 31000 and the Enterprise Risk Management – Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission. This ensures that we are in line with best practice. To sustain a successful ERM programme, we believe in having the right processes and tools as well as instilling the right risk awareness culture. Our ERM framework specifically sets out a systematic and structured approach towards risk management through the following activities:

- Awareness training and workshops
- Risk identification and assessment
- Formulation of key risk management strategies
- Design and implementation of risk mitigation controls (preventive, detective and responsive controls)
- Monitoring and timely reporting of risk management performance and risk exposure levels
- Continual improvement of risk management capabilities and mitigation measures

Our ERM framework is supported by the following key pillars:

a. Fraud Risk Management

The possibility of fraud is an inherent risk in any organisation. To manage this, the Group has established a fraud prevention policy, which has been approved by our board's Risk Committee. The policy provides a framework and comprehensive guidance on anti-fraud measures to proactively manage the risk of fraud, bribery and corruption. We actively influence and encourage our joint ventures and associates to adopt our fraud risk management framework. The Group maintains a zero tolerance policy for fraud, which we take to include corruption and bribery. This stance is regularly communicated to employees through awareness training and e-learning programmes.

The following key activities and complementary policies and procedures are part of our holistic approach towards fraud risk management, and also address the risk of bribery and corruption:

Preventive anti-fraud measures
- Code of Conduct
- Conflict of Interest Policy
- Gifts and Entertainment Policy
- Fraud risk assessments
- Employee and third party due diligence

Detective anti-fraud measures
- Whistle-blowing Policy
- Forensic data analysis
- Compliance and monitoring
- Pre-employment screening

Responsive anti-fraud measures
- Fraud reporting procedures
- Fraud investigation procedures
- Grievance handling procedures

Whistle-blowing policy

Sembcorp has a Whistle-blowing Policy in place. We provide employees and external parties with well-defined and accessible channels through which they may, in confidence, raise concerns regarding possible improprieties in the conduct of business activities, financial reporting or other matters to the Audit Committee. This facilitates independent investigation of such matters for appropriate resolution. The policy is available on our website and is subject to review on a regular basis.

A whistle-blower may submit his / her allegations or concerns either by telephone, email, our whistle-blowing portal or other communication channels.

The company will take reasonable steps to protect the identity of the whistle-blower. The company does not condone retaliatory action against the whistle-blower. The whistle-blowing case will be received by the Head of GIA and an investigation will be conducted in compliance with the requirements set out in the company's Whistle-blowing Policy.

For more information on our Whistle-blowing Policy, please refer to the Report & Policies page in the Sustainability section of our website.

b. Operational Risk Management

The Group's management of operational risk is focused on the following areas:

Crisis management and business continuity

A robust and effective crisis management framework is put in place with the Group's crisis management, emergency response and business continuity procedures and plans. These procedures and plans are regularly tested and fine-tuned. The Group also addresses crises and emergencies through the implementation of appropriate prevention, preparedness, and response and recovery programmes. Some of these material operational risks include natural disasters, terrorism, cybersecurity attacks, epidemic outbreak and failure of critical equipment.

Health, safety and the environment

A group-wide HSE management system which is aligned with international standards and industry best practice sets the standard for operations in the various markets to actively manage HSE risks.

Insurance

As a risk transfer mechanism, the Group has in place a comprehensive insurance programme to protect our worldwide business operations against financial loss arising from property damage, machinery breakdown, business interruption and / or third party liability. The Group has also engaged a panel of top-tier insurance consultants, leveraging their technical expertise and resources to negotiate competitive pricing and comprehensive coverage with insurance companies. To balance the cost of risk transfer, the Group focuses on insuring catastrophic events while maintaining our emphasis on improving internal controls over operations and maintenance. Sembcorp Captive Insurance, a wholly-owned captive insurance subsidiary, provides first-layer coverage against property damage and business interruption losses for the Group's power and utilities operations in Singapore and Teesside in the UK. Sembcorp Captive Insurance serves not only as an internal risk transfer mechanism, but also showcases the Group's efforts to promote greater accountability and responsibility in operations and maintenance. Over the years, Sembcorp Captive Insurance has successfully built up a strong capital surplus, allowing it to extend its insurance reach to other operations and broaden its scope of coverage should the need arise.

c. Financial, Market and Credit Risk Management

Sembcorp's financial, market and credit risk exposure is managed via established policies, including treasury policies, financial authority limits and Governance Assurance Certification.

Financial and market risks

The Group defines and utilises approved financial instruments to manage exposure to foreign exchange, commodity prices and interest rate fluctuations arising from operational, financing and investment activities. Under the Group's overall treasury policy, transactions for speculative purposes are strictly not allowed.

Default and counterparty credit risks

A group-wide credit risk policy has been put in place to ensure that we transact with creditworthy counterparties as much as possible. We also screen for material concentrations of credit risk to ensure that no single counterparty or group-related counterparties has excessive credit exposure that may result in material impact on the Group in the event of a default.

d. Investment Risk Management

The Group has in place an investment approval process to ensure a prudent and disciplined approach to all investment decisions, including a country risk framework that sets appropriate country risk limits.

As at December 31, 2018, the countries outside of Singapore in which the Group has the largest investment exposure are India (S$3.6 billion), China (S$1.8 billion), Brazil (S$1.6 billion) and the UK (S$1.2 billion). Investment exposure comprises invested capital, including reserves and committed contingent support for projects and assets.

e. Tax Risk Management

It is our policy to comply with all relevant taxation laws, regulations and regulatory disclosure requirements.

In 2018, Singapore implemented Country-by-Country (CbC) Reporting for Singapore multinational enterprise (MNE) groups. As a Singapore-headquartered MNE, Sembcorp is required to file a CbC Report for financial years beginning on or after January 1, 2017. We are pleased to report that during the financial year, we filed the CbC Report in compliance with the submission requirements of the Inland Revenue Authority of Singapore.

For more information on our ERM framework and a full description of our approach to managing the above risks as well as more information on our Tax Policy, please refer to Our Focus Areas: Governance page in the Sustainability section of our website.

Ethical Business and Compliance

Sembcorp's values of Creative Insight, Committed and Connected define our approach to sustainable growth, and form the foundation of Sembcorp's CoC. Employees are required to comply with the requirements of the CoC, which addresses Sembcorp's stance in the following ways:

- We treat each other fairly and with respect
- We protect personal information
- We do not bribe
- We deal with government officials responsibly
- We work with trustworthy business partners and representatives
- We compete ethically
- We avoid conflicts of interest
- We treat gifts, entertainment and hospitality responsibly
- We safeguard company assets and information
- We work with ethical suppliers
- We do not disclose or act on inside information
- We do not facilitate money laundering or financial crimes
- We maintain accurate records, contracts and sound internal controls
- We are good corporate citizens
- We are politically neutral
- We manage our health, safety, security and environmental responsibilities as our first priority

The CoC is endorsed by the Board. Requirements of the CoC are communicated to employees globally through a message from the Group President & CEO, face to face training in the local language as well as a video presentation. Employees are required to complete an annual declaration to acknowledge that they have read and understood the principles and requirements of the CoC, and agree to comply with its principles and requirements and promptly report any violation through available reporting channels. Suppliers and contractors who work with Sembcorp are expected to respect and follow the CoC as well.

The CoC also provides for escalation procedures in the event of a breach of the CoC as well as feedback channels for employee clarification and queries.

Full compliance with all legal and regulatory requirements is the minimum expectation we prescribe for all our businesses. As part of our IAF, all heads of markets have to certify that they have complied with all relevant legal and regulatory requirements in their respective entities and countries of operation. Any monetary fines and non-monetary sanctions imposed on the markets are also to be reported.

In view of emerging concerns on data privacy, the Group has established the Group Personal Data Protection Policy which sets out the principles and processes to govern the collection, use, disclosure and retention of personal data across all markets and business units. Markets and business units are expected to abide by the policy, subject to local laws and regulations on data protection.

Regular audits are conducted by the GIA and Group HSSE departments to ensure compliance and also to identify gaps and lapses in compliance. They also work closely with management to develop action plans to prevent future recurrences of gaps and lapses.

Our performance
We continued to be ranked sixth in the Singapore Governance and Transparency Index, the leading index for assessing corporate governance practices of Singapore-listed companies.

In 2018, we undertook a suite of improvement initiatives following a group-wide bribery and corruption risk assessment in 2017. We enhanced our CoC and Anti-bribery and Corruption Policy to strengthen employees' understanding of their obligations and foster accountability and ownership of our ethical commitments. Extensive training and awareness programmes were conducted globally, including face to face training, train-the-trainers programme, a CoC video and monthly key compliance message communications. We conducted face to face training in our operations in Singapore, China, India, Bangladesh and Myanmar. For the remaining regions, training was conducted via video conference and train-the-trainers programme. In 2018, 96% of employees underwent training in the enhanced CoC through various platforms, and over 99% of employees have acknowledged their compliance with the CoC. We also launched our whistle-blowing portal. The portal is available in the Whistle-blowing Policy document on our website. It has a pre-defined set of questions to guide whistle-blowers in providing the required information / documents in reporting their concerns and also to allow the investigation team to maintain communication.

In 2018, our operations in Chile paid significant* fines totalling S$421,000. Two fines for incidents in 2016 and 2018 were for non-compliance with environmental regulations totalling S$362,000. They pertained to odour issues and the discharge of sewage to the ocean, stemming from failures in sewage lifting stations. Remedial actions have been taken, including enhancing the electrical system of the lifting stations and level metering system to better manage sewage water discharge, and building a new sludge thickener and dewatering plant with bio-filter system for odour control. The other fine of S$59,000 was for a delay in constructing a well in a timely manner as committed to under a Regulatory Development Plan in 2014. The well was completed thereafter and has been in operation since 2015.

In 2018, we embarked on transitioning from the GAF to an IAF to put greater emphasis on the three LOD model. Through the IAF structure, the respective LODs work closely to ensure that key financial, operational, compliance and IT risks are reviewed and tested using a robust assurance process. The IAF is expected to be implemented for all key markets by end 2019. The Audit Committee, supported by the Risk Committee, oversees the IAF and its implementation.

Our ongoing efforts to build in-house capabilities, readiness and resilience in crisis and emergency response situations require us to regularly conduct and participate in crisis simulation exercises and awareness training. While we recognise the importance of effective crisis response procedures and proactive stakeholder engagement to manage a crisis, we see the importance of helping affected employees cope with the psychological and emotional impacts, so that they can recover faster from an incident. We have developed a Business Psychological Resilience programme which complements the existing Group Crisis Management Framework and enhances Sembcorp's resilience in crisis and emergency response situations.

* A significant fine refers to a monetary sanction equal to or above S$50,000 that was paid during the financial year

Corporate Governance Statement

Sembcorp's corporate governance principles are built on integrity and reflect our commitment to enhance shareholder value.

The board and management of Sembcorp recognise that well-defined corporate governance processes are essential to enhancing corporate accountability and long-term sustainability, and are committed to high standards of governance to preserve and maximise shareholder value. This report sets out the company's corporate governance processes and activities for the financial year with reference to the principles set out in the Singapore Code of Corporate Governance 2012 (the Code), which is applicable to this corporate governance statement for the financial year 2018. The board is pleased to report that the company has complied in all material aspects with the principles and guidelines set out in the Code, and any deviations are explained in this report.

The company continually reviews and refines our processes in light of best practice, consistent with the needs and circumstances of the Group. We are encouraged that our efforts towards excellent governance have been recognised. Sembcorp was ranked sixth in the 2018 edition of the Singapore Governance and Transparency Index, a well-respected index assessing the transparency of 589 Singapore listed companies. The index is a collaboration between CPA Australia, the Centre for Governance, Institutions and Organisations at NUS Business School, and the Singapore Institute of Directors.

At the Singapore Corporate Awards 2018, Sembcorp won the gold award for Best Annual Report in the category for companies with S$1 billion and above in market capitalisation.

Board Matters

Board's Conduct of Affairs (Principle 1)

Effective board to lead and effect controls

Sembcorp is led by an effective board comprising mainly independent non-executive directors. The board is headed by Ang Kong Hua. He is joined on the board by our Group President & CEO Neil McGregor, as well as Margaret Lui, Tan Sri Mohd Hassan Marican, Tham Kui Seng, Dr Teh Kok Peng, Ajaib Haridass, Nicky Tan Ng Kuang, Yap Chee Keong, Jonathan Asherson OBE and Dr Josephine Kwa Lay Keng, who was appointed to the board on August 1, 2018.

Role of the board
The board is collectively responsible for the long-term success of the company. Each director exercises his / her independent judgement to act in good faith and in the best interests of the company for the creation of long-term value for shareholders. The principal duties of the board are to:

- Provide leadership and guidance to management on the Group's overall strategy, focusing on value creation, innovation and the need to ensure the necessary financial and human resources are in place
- Ensure the adequacy of the Group's risk management and internal controls framework and standards, including ethical standards, and that our obligations to shareholders and the Group's other stakeholders are met
- Review management performance and oversee the Group's overall performance objectives, key operational initiatives, financial plans and annual budget, major investments, divestments and funding proposals, quarterly and full-year financial performance reviews, risk management and corporate governance practices
- Provide guidance on sustainability issues such as environmental, social and governance factors, as part of the Group's overall business strategy

Corporate Governance Statement

To assist the board in the efficient discharge of its responsibilities and provide independent oversight of management, the board has established the following board committees with written terms of reference:

- Executive Committee (ExCo)
- Audit Committee
- Risk Committee
- Executive Resource & Compensation Committee
- Nominating Committee
- Technology Advisory Panel

Special purpose committees are also established from time to time as dictated by business imperatives.

Composition of the board committees is structured to ensure an equitable distribution of responsibilities among board members, maximise the effectiveness of the board and foster active participation and contribution. Diversity of experience and appropriate skills are considered along with the need to maintain appropriate checks and balances among the different committees. Hence, membership of the ExCo, with its greater involvement in key businesses and executive decisions, and membership of the Audit and Risk Committees, with their respective oversight roles, are mutually exclusive.

The directors and executive officers of the company have each given an undertaking that in the exercise of his / her powers and duties as a director or executive officer of the company, he / she shall apply his / her best endeavours to comply with the requirements of the Singapore Exchange Securities Trading (SGX-ST), pursuant to or in connection with the SGX-ST Listing Manual from time to time in force, and to use his / her best endeavours to procure that the company shall so comply.

The Group has adopted internal controls and guidelines that set out financial authorisation and approval limits for borrowings, including off-balance sheet commitments, investments, acquisitions, disposals, capital and operating expenditures, requisitions and expenses. Significant investments and transactions exceeding threshold limits are approved by the board while transactions below the threshold limits are approved by the ExCo and management to facilitate operational efficiency, in accordance with applicable financial authority limits.

Executive Committee

The ExCo is chaired by Mr Ang and its members include Mr McGregor, Mrs Lui, Mr Tan and Mr Tham, who was appointed to the committee on May 1, 2018.

Within the limits of authority delegated by the board per its terms of reference, the ExCo reviews and approves business opportunities, strategic investments, divestments, and major capital and operating expenditures. The ExCo also evaluates and recommends larger investments, capital and operating expenditures and divestments to the board for approval.

Technology Advisory Panel

The Technology Advisory Panel (TAP) comprises board members Mr Ang, Mr McGregor, Dr Teh, Dr Kwa and Mr Asherson, who was appointed to the panel on May 1, 2018, as well as co-opted members Prof Ng How Yong and Prof Lui Pao Chuen.

Profiles of the members of the TAP may be found on pages 72 to 74.

The TAP provides guidance to the Group on our vision and strategy in leveraging technology to enhance Sembcorp's leadership in our business sectors. The panel advises on technologies for research and development (R&D) as well as investment, and oversees the development and application of significant emerging and potentially disruptive technologies relevant to Sembcorp. It also ensures the appropriate management of specialised R&D projects, tapping into various government grant support schemes and the external technological ecosystem, and provides guidance to develop systems for intellectual property creation and protection. In addition, the panel advises Sembcorp's board and management on technological trends and opportunities in line with the company's growth strategies.

The compositions, roles and responsibilities of the other committees – the Audit Committee, Risk Committee, Executive Resource & Compensation Committee and Nominating Committee – are explained in this corporate governance statement.

Meetings and attendance

The board meets on a quarterly basis to review and approve the release of the company's quarterly results as well as deliberate on key activities and business strategies, including significant acquisitions, disposals and operational matters, and approve the Group's budget for the following year. At these board meetings, the Group President & CEO updates the board on the development and prospects of the Group's businesses and each board committee provides a report on its activities. Minutes of board committee meetings are circulated to the board to keep directors updated on each committee's activities. An additional board meeting is normally held at the end of each financial year to review the Group's strategy. Ad-hoc board meetings may also be convened as necessary to consider other specific matters. At quarterly board meetings, time is set aside for the board to discuss management performance. Members of management are not present at or privy to such discussions. Annually, an off-site strategic review meeting is organised for the board to have in-depth discussions with management on the Group's strategy and other key issues relevant to the Group. In September 2018, this off-site meeting was held in the UK.

Board and board committee meetings, as well as annual general meetings (AGMs) of the company are scheduled in consultation with the directors before the start of each year. Telephonic attendance and conference via audiovisual communication channels are allowed under the company's constitution to enable the participation of directors who are unable to attend physically. Decisions made by the board and board committees may be obtained at meetings or via circular resolutions. Directors disclose personal interests in transactions and recuse themselves from discussions and decisions in the event of any conflict. Should a director be unable to attend any board or board committee meeting, he / she will still be sent the papers tabled for discussion and have the opportunity to separately convey any views to the chairman for consideration or further discussion with other directors. If necessary, a separate session may be organised for management to brief that director and obtain his / her comments and / or approval.

The directors' attendance at board and committee meetings held during the financial year 2018 is set out on page 113.

Board orientation and training

All new directors receive formal letters of appointment explaining the Group's governance policies and practices, as well as their duties and obligations as directors. New directors also receive an information pack that contains the Group's organisation structure, the contact details of members of senior management, the company's constitution, the respective committees' terms of reference, the Group's policies relating to disclosure of interests in securities and prevention of insider trading, Code of Conduct, as well as guidelines on directors' fees.

The company conducts comprehensive orientation programmes for new directors. These include briefings on board policies and processes, presentations by senior management about Sembcorp, our overall strategic plans and direction, financial performance and business activities in various markets, as well as facility visits.

As part of training and professional development for the board, the company ensures that directors are briefed from time to time on changes to regulations, guidelines and accounting standards, as well as other relevant trends or topics such as updates to the Code of Corporate Governance. These are done either during board meetings or at specially convened sessions, including training sessions and seminars conducted by external professionals which are funded by the company.

In 2018, the directors participated in the following briefings and updates provided by the company:

- Briefings on developments in accounting and governance standards presented by our external auditors at Audit Committee meetings
- Quarterly updates on the Group's business and strategic developments presented by the Group President & CEO to the board
- Quarterly overviews presented by the Group Risk department to the Risk Committee on the Group's risk and controls environment and updates relating to risk management initiatives and key emerging threats, such as the heightened risk of cyber attacks
- Briefing on the new Code of Corporate Governance 2018 and directors' obligations and responsibilities under the Code by external legal advisors
- Public conferences, forum discussions and briefings on topics such as audit and financial reporting, regulatory and technological developments and complex industry systems engineering

Corporate Governance Statement

Besides such briefings, articles and reports relevant to the Group's businesses are also circulated to the directors for information. Furthermore, to enhance directors' understanding of the Group's businesses and promote their active engagement and stronger relationships with the Group's stakeholders, they regularly visit the Group's operations in different key markets. In 2018, the directors visited our facilities and met with government officials as well as key customers and partners as part of the board's off-site meeting in the UK.

Board Composition and Guidance (Principle 2)

Strong and independent board exercising objective judgement

Board composition

The current board comprises 11 directors, nine of whom are independent directors. All the directors are non-executive, except the Group President & CEO. The board members include business leaders and professionals with strong experience relevant to the Group's businesses, from the engineering, petrochemical, oil, power and gas and real estate industries to accountancy, finance, legal and technology R&D sectors. Best efforts have been made to ensure that in addition to contributing their valuable expertise and insights to board deliberations, directors also bring to the board independent and objective perspectives to allow balanced and well-considered decisions to be made. The board is of the view that there is a strong and independent element on the board. Given that the majority of directors are non-executive and independent of management in terms of character and judgement, objectivity on issues deliberated is assured.

Profiles of the directors may be found on pages 68 to 71.

Review of directors' independence

Each director's independence is assessed annually by the board on an individual basis, focusing on each director's capacity to bring independence of judgement to board decisions. The directors are required to complete a Director's Independence Checklist based on the guidelines provided in the Code. The checklist also requires each director to assess whether he / she considers himself / herself independent despite involvement in any of the relationships identified in the Code. Thereafter, the Nominating Committee reviews the completed checklists, assesses the independence of the directors and presents its recommendations to the board.

In 2018, all directors except Mr McGregor and Mrs Lui declared themselves to be independent. The Nominating Committee has reviewed and recommended to the board, and the board has agreed and determined that with the exception of Mr McGregor and Mrs Lui, all members of Sembcorp's board for 2018 are independent. Mr McGregor is Group President & CEO and an executive director of Sembcorp. Mrs Lui is CEO of Azalea Investment Management, a related company of Temasek Holdings (Temasek) which holds more than 10% interest in the Group.

Tan Sri Mohd Hassan and Mr Haridass both sit on the board of Sembcorp Marine, a listed subsidiary from which the company has received payment in excess of S$200,000 in aggregate for consultancy services and provision of utilities services. Mr Haridass retired from the board of Sembcorp Marine on April 18, 2018. Mr Tham sits on the board of Sembcorp Design and Construction, a wholly-owned subsidiary of the company from which the company has received payment in excess of S$200,000 for consultancy services. Tan Sri Mohd Hassan and

Board Members for 2018

Board member	Position held on the board	Date of first appointment to the board	Date of last re-election / re-appointment as director	Nature of appointment
Ang Kong Hua	Chairman	Feb 26, 2010	Apr 20, 2018	Non-executive / Independent
Neil McGregor	Director	May 1, 2014	Apr 19, 2017	Executive / Non-independent
Margaret Lui	Director	Jun 1, 2010	Apr 20, 2018	Non-executive / Non-independent
Tan Sri Mohd Hassan Marican	Director	Jun 16, 2010	Apr 19, 2016[*]	Non-executive / Independent
Tham Kui Seng	Director	Jun 1, 2011	Apr 19, 2017[*]	Non-executive / Independent
Dr Teh Kok Peng	Director	Oct 15, 2012	Apr 20, 2018	Non-executive / Independent
Ajaib Haridass	Director	May 1, 2014	Apr 19, 2017[*]	Non-executive / Independent
Nicky Tan Ng Kuang	Director	Nov 1, 2015	Apr 19, 2016[*]	Non-executive / Independent
Yap Chee Keong	Director	Oct 1, 2016	Apr 19, 2017	Non-executive / Independent
Jonathan Asherson OBE	Director	Jul 17, 2017	Apr 20, 2018	Non-executive / Independent
Dr Josephine Kwa Lay Keng	Director	Aug 1, 2018	N.A.[*]	Non-executive / Independent

[*] Up for retirement and re-election at the company's upcoming AGM

Composition of Board Committees for 2018

Board member	Executive Committee	Audit Committee	Risk Committee	Executive Resource & Compensation Committee	Nominating Committee	Technology Advisory Panel
Ang Kong Hua	Chairman			Chairman	Chairman	Chairman
Neil McGregor	Member					Member
Margaret Lui	Member			Member	Member	
Tan Sri Mohd Hassan Marican				Member	Member	
Tham Kui Seng[1]	Member			Member		
Dr Teh Kok Peng		Member	Member			Member
Ajaib Haridass		Member	Chairman			
Nicky Tan Ng Kuang	Member			Member	Member	
Yap Chee Keong		Chairman	Member			
Jonathan Asherson OBE[2]		Member	Member			Member
Dr Josephine Kwa Lay Keng[3]						Member

Directors' Attendance at Board and Board Committee Meetings in 2018

Board member	Board meeting	Executive Committee meeting	Audit Committee meeting	Risk Committee meeting	Executive Resource & Compensation Committee meeting	Nominating Committee meeting	Technology Advisory Panel meeting	Annual general meeting
Total Number of Meetings Held in 2018	**9**	**5**	**5**	**4**	**4**	**2**	**4**	**1**
Ang Kong Hua	9/9	5/5	–	–	4/4	2/2	3/4[*]	1
Neil McGregor	9/9	5/5	5/5	4/4	4/4	2/2	3/4[*]	1
Margaret Lui	9/9	5/5	–	–	4/4	2/2	–	1
Tan Sri Mohd Hassan Marican	9/9	–	–	–	4/4	2/2	–	1
Tham Kui Seng[1]	9/9	3/3	3/3	2/2	2/2	–	–	1
Dr Teh Kok Peng	8/9	–	5/5	4/4	–	–	4/4	1
Ajaib Haridass	9/9	–	5/5	4/4	–	–	–	1
Nicky Tan Ng Kuang	8/9[*]	5/5	–	–	3/4	2/2	–	1
Yap Chee Keong	9/9	–	5/5	4/4	–	–	–	1
Jonathan Asherson OBE[2]	8/9[*]	–	2/2	2/2	–	–	2/3[*]	1
Dr Josephine Kwa Lay Keng[3]	4/4	–	–	–	–	–	4/4	–

[1] Mr Tham was appointed a member of the Executive Committee and Executive Resource & Compensation Committee with effect from May 1, 2018. He relinquished his membership of the Audit Committee and Risk Committee on May 1, 2018

[2] Mr Asherson was appointed a member of the Audit Committee, Risk Committee and Technology Advisory Panel with effect from May 1, 2018

[3] Dr Kwa was appointed a director with effect from August 1, 2018. She has been an external co-opted member of the Technology Advisory Panel since January 1, 2013. Her service as an external co-opted member terminated with effect from August 1, 2018

[*] Directors conveyed their views / comments for consideration prior to the meetings they did not attend

Mr Tham hold the positions of Senior International Advisor and Corporate Advisor respectively at Temasek International Advisors, a subsidiary of Temasek. Mr Tham stepped down as Corporate Advisor in the first quarter of 2018.

The board has assessed these matters and is of the view that the payments received from these subsidiaries are not significant in the context of the Group's earnings. The board believes that Tan Sri Mohd Hassan, Mr Haridass and Mr Tham's directorships in these subsidiaries have not and will not interfere, or be reasonably perceived to interfere, with their ability to exercise independent judgement and act in the best interests of Sembcorp.

Tan Sri Mohd Hassan and Mr Tham's roles as advisors at Temasek International Advisors are non-executive in nature and they are not involved in its day-to-day conduct of business. They are also not accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Temasek. The board believes that they have acted and will continue to act in the best interests of Sembcorp.

Hence, the Nominating Committee has recommended, and the board has determined that Tan Sri Mohd Hassan, Mr Haridass and Mr Tham are independent notwithstanding their relationships with Temasek and the Group's subsidiaries.

The board also considers Dr Kwa independent notwithstanding her relationship with the company under Guidance Note 2.1(d) of the Code. Dr Kwa is a director of the Agency for Science, Technology and Research (A*STAR), an organisation with which Sembcorp is jointly researching an R&D project under the Sembcorp-EMA Energy Technology Partnership for which the company has made payment in excess of S$200,000 for project cost. The board is of the view that the amount paid to A*STAR is insignificant in the context of the Group's earnings and Dr Kwa's directorship on ASTAR will not interfere with her ability to exercise independent judgement and act in the best interests of Sembcorp.

The Code recommends that the independence of any director who has served on the board beyond nine years from the date of his / her first appointment should be subject to a particularly rigorous review. The board has set a term limit of nine years for determining the independence of directors of the company. Should the board decide to retain any director beyond this nine-year term, it will rigorously review the independence of that director and determine if he / she should continue to be regarded as an independent director. In the financial year 2018, none of Sembcorp's current directors have served longer than nine years from the date of their appointment.

In 2019, Mr Ang and Tan Sri Mohd Hassan would have served on the board for more than nine years. The board has observed that over the tenure from 2010 until present, both Mr Ang and Tan Sri Mohd Hassan have shown strong independence of character and judgement in the discharge of their duties as directors. The directors have accumulated much knowledge of the business of Sembcorp and contributed actively to the board which is very valuable, particularly to the new management team and especially during this transformation period that the Group is undergoing. The board is of the opinion that the length of service will not change the independence of both directors. In fact, their length of service will assist the board to better understand the Group and our business over the long-term, and therefore better serve the interests of the company and our shareholders by having long-term familiarity with and understanding of the company and our operations and growth strategies. Therefore, after a rigorous and thorough review, the Nominating Committee recommended to the board that Mr Ang and Tan Sri Mohd Hassan shall remain independent despite serving more than nine years on the board, and the board concurred.

Chairman and Chief Executive Officer (Principle 3)

Clear division of responsibilities between the board and management

The Chairman and the Group President & CEO are not related to each other. Their roles are kept separate to ensure a clear division of responsibilities, increased accountability and a greater capacity of the board for independent decision-making.

The Chairman, who is non-executive and independent, chairs the board, ExCo, Executive Resource & Compensation Committee, Nominating Committee and the TAP.

There is also a strong and independent element on the board, where nine out of 11 directors are independent. As such, the board has ascertained that there is no necessity to appoint a lead independent director.

The Chairman leads and ensures an effective and comprehensive discussion on matters brought to the board, including strategic issues and business planning. He ensures the board and board committee meetings are conducted in a manner that promotes open communication, participation and decision making. He also provides advice to management and monitors all follow-up actions following the board's decisions, ensuring that such decisions are translated into executive action. In addition, the Chairman provides leadership and guidance to management, particularly with regard to global growth strategy and project investments. He also helps to oversee the Group's talent management, and works with the Group President & CEO to ensure that robust succession plans are in place for key management positions.

At AGMs and other shareholder meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders and the board and management.

The Group President & CEO makes strategic proposals to the board, develops and manages the Group's businesses in accordance with strategies, policies, budgets and business plans as approved by the board and provides close oversight, guidance and leadership to key management personnel.

Board Membership (Principle 4)

Formal and transparent process for the appointment and re-appointment of directors

Nominating Committee

All the Nominating Committee (NC) members are non-executive directors, namely Mr Ang, Mrs Lui, Tan Sri Mohd Hassan and Mr Tan. Three out of four NC members, including its chairman, are independent. They are Mr Ang, Tan Sri Mohd Hassan and Mr Tan.

The NC is responsible for continually reviewing Sembcorp's board composition to ensure strong, independent and sound board leadership to drive the continued success of the company and our businesses.

The key responsibilities of the NC are to:

- Ensure that the board has the right balance of skills, attributes, knowledge and experience in business, finance and related industries, as well as management expertise critical to the company's businesses
- Review the composition and size of the board and its committees and recommend new appointments, re-appointments and re-elections to the board and board committees as appropriate
- Review the directors' independence and succession plans for the board
- Develop a process to evaluate board and board committees' performance
- Review training and professional development programmes for the board

Succession planning, appointment and re-appointment of directors
The NC seeks to refresh board membership progressively and in an orderly manner. All appointments to the board are made based on merit and measured against objective criteria. Candidates must be able to discharge their responsibilities as directors while upholding the highest standards of governance practised by the Group. The board also recognises the contributions of directors who have, over time, developed deep insights into the Group's businesses. It exercises its discretion to retain the services of such directors where appropriate, to avoid an abrupt loss of experienced directors with a valuable understanding of the Group.

With reference to the Group's strategies and business plans, the NC reviews the skills mix of board members to ensure that the board has the required diversity, including gender diversity, as well as the competencies to support our growth. When the need for a new director arises, the NC consults with management and identifies a list of potential candidates. These candidates are sourced through an extensive network of contacts and external databases where appropriate, based on the skill sets, experience, knowledge and attributes required to lead the growth of the company. Thereafter, the NC will interview the candidates and make its recommendation to the board for approval. In accordance with the company's constitution, the new director will hold office until the next AGM and, if eligible, can stand for re-appointment.

The company subscribes to the principle that all directors, including the Group President & CEO, should retire and submit themselves for re-election at regular intervals, subject to their continued satisfactory performance. The company's constitution requires a third of our directors to retire and subject themselves for re-election by shareholders at every AGM (one-third rotation rule).

In addition, all newly-appointed directors submit themselves for retirement and re-election at the AGM immediately following their appointment. Thereafter, these directors are subject to the one-third rotation rule.

Pursuant to the one-third rotation rule, Tan Sri Mohd Hassan, Mr Tham, Mr Haridass and Mr Tan will retire and have offered themselves for re-election at the forthcoming AGM.

Dr Kwa, who was newly appointed to the board on August 1, 2018, will also retire and has offered herself for re-election by shareholders at the forthcoming AGM.

The board does not encourage the appointment of alternate directors. No alternate director has been or is currently being appointed to the board.

Review of directors' time commitments
While reviewing the re-appointment and re-election of directors, the NC also considers the directors' other board directorship representations and principal commitments to ensure they have sufficient time to discharge their responsibilities to the board and Sembcorp adequately. The board has adopted an internal guiding principle that seeks to address the competing time commitments that may be faced when a director holds multiple board directorship representations. As a general rule, the board has determined that the maximum number of listed company board representations held by any Sembcorp director should not exceed five. However, the board recognises that the individual circumstances and capacity of each director are different and there may be circumstances in which the limit on board appointments may differ as appropriate.

For 2018, the NC has reviewed and recommended to the board and the board is satisfied that all directors have given sufficient time and attention to the affairs of the company and have discharged their duties adequately.

Board Performance (Principle 5)

Active participation and valuable contributions are key to overall effectiveness of the board

Board evaluation process and performance criteria
The board believes that board performance is ultimately reflected in the long-term performance of the Group.

Each year, in consultation with the NC, the board assesses its performance to identify key areas for improving the effectiveness of the board and board committees and requisite follow-up actions. The assessment helps the directors to maintain focus on their key responsibilities, while improving board performance.

To provide feedback to aid in this assessment, each director is required to complete a questionnaire on the effectiveness of the board, board committees and individual directors' contribution and performance. The evaluation considers factors such as the size and composition of the board and board committees, board processes and accountability, board and board committees' development and effectiveness, information and technology management, decision-making processes, risk and crisis management, succession planning, communication with senior management and stakeholder management. The evaluation and feedback are then consolidated and presented to the board for discussion on areas of strengths and weaknesses. The NC periodically reviews and improves the directors' questionnaire to further enhance the assessment of the board and board committees' effectiveness.

For the financial year 2018, the evaluation indicated that the board and its committees continued to perform effectively to support Sembcorp.

Access to Information (Principle 6)

Directors have complete, adequate and timely information and resources

Complete, adequate and timely information
The company recognises that directors should be provided with complete, adequate and timely information on an ongoing basis that enables them to make informed decisions, discharge their duties and keep abreast of the Group's operational and financial performance, key issues, challenges and opportunities. Financial highlights of the Group's performance and key developments are presented on a quarterly basis at board meetings and the Group President & CEO, Group Chief Financial Officer (CFO) and members of senior management attend board and board committee meetings to provide insight into matters under discussion and address any queries that the directors may have.

In line with Sembcorp's strong commitment to environmental responsibility, directors are provided with electronic tablets that give them access to board and board committee papers prior to and during meetings. As a general rule, board and board committee papers are made available to directors a week prior to meetings. This is to give the directors sufficient time to review and consider matters at hand. It also ensures that discussions at the meetings can be focused on any questions arising from these matters. The board has ready and independent access to the Group President & CEO, senior management, the company secretary and internal and external auditors and counsel at all times, should it require additional information or for advice and consultation.

Company Secretary
The appointment and the removal of the company secretary are subject to the board's approval. The company secretary assists the Chairman to ensure good information flow within the board and its committees and between the board and senior management. In addition, the company secretary attends to corporate secretarial matters, such as arranging orientations for new directors and assisting with their professional development as required. In consultation with the Chairman and Group President & CEO, the company secretary assists the board with scheduling of board and board committee meetings, prepares meeting agendas and administers, attends and minutes board proceedings.

The company secretary assists the board in the Group's compliance with the company's constitution and applicable regulations, including requirements of the Companies Act, Securities & Futures Act and SGX-ST Listing Manual. Moreover, the company secretary liaises on behalf of the company with SGX-ST, the Accounting and Corporate Regulatory Authority (ACRA) and when necessary, shareholders.

Independent professional advice
In the furtherance of its duties, the board exercises its discretion to seek independent professional advice at the company's expense, if deemed necessary.

Remuneration Matters

Procedures for Developing Remuneration Policies (Principle 7)

Remuneration of directors adequate and not excessive

With the assistance of the Executive Resource & Compensation Committee, the board ensures that a formal policy and transparent procedure for determining remuneration of executives and directors are in place.

Executive Resource & Compensation Committee

The Executive Resource & Compensation Committee (ERCC) is chaired by Mr Ang, an independent non-executive director. He is joined on the committee by Mrs Lui, Tan Sri Mohd Hassan, Mr Tan as well as Mr Tham. Mr Tham was appointed to the ERCC on May 1, 2018.

The ERCC is responsible for developing, reviewing and recommending to the board the framework of remuneration for the board and key management personnel as defined in the Code.

To this end, it:

- Assists the board to ensure that competitive remuneration policies and practices for the company and management are in place and aligned with the prevailing economic environment
- Reviews the Directors' Fee Framework periodically and remuneration package of each member of key management, and endorses or makes further recommendations on such matters to the board for its consideration
- Establishes guidelines on share-based incentives and other long-term incentive plans and approves the grant of such incentives to key management personnel. These incentives serve to motivate executives to maximise operating and financial performance and shareholder value. They are aimed at aligning the interests of key management personnel with those of shareholders
- Reviews succession planning for key management personnel and the leadership pipeline for the organisation

In its deliberations, the ERCC takes into consideration industry practices and compensation norms. The Group President & CEO does not attend discussions relating to his own compensation, terms and conditions of service, or the review of his performance. In addition, no ERCC member or any director is involved in deliberations in respect of any remuneration, compensation, share-based incentives or any form of benefits to be granted to himself / herself.

The ERCC has access to expert professional advice on human resource matters whenever there is a need for such external consultation. In 2018, Aon Hewitt (Singapore) was engaged as external consultants to provide such advice. In engaging external consultants, the Group ensures that the relationship, if any, between ourselves and these external consultants will not affect the independence and objectivity of the external consultants. In 2018, the ERCC undertook a review of the independence and objectivity of Aon Hewitt (Singapore) and confirmed that the Group had no relationship with the company that would affect the latter's independence.

In reviewing succession planning and the Group's leadership pipeline, the ERCC reviews the development of management and senior staff and assesses their strengths and development needs based on the Group's leadership competencies framework, with the aim of building talent and maintaining strong and sound leadership for the Group. On an annual basis, the ERCC reviews succession planning for the position of Group President & CEO and that of officers reporting directly to him, as well as for other selected key positions in the company. Potential internal and external candidates for succession are reviewed for different time horizons according to immediate, medium- and long-term needs. In addition, the ERCC also reviews the company's obligations arising in the event of termination of the contracts of service of the Group President & CEO and key management personnel, to ensure that such contracts contain fair and reasonable termination clauses.

Level and Mix of Remuneration (Principle 8)

Competitive reward system to ensure highest performance and retention of directors and key management personnel

Sembcorp believes that our remuneration and reward system is aligned with the long-term interests and risk policies of the company. We also recognise that a competitive remuneration and reward system based on individual performance is important to attract, retain and incentivise the best talent.

The Group President & CEO, as an executive director, does not receive director's fees from Sembcorp. As a lead member of management, his compensation consists of his salary, allowances, bonuses and share-based incentives conditional upon meeting certain performance targets.

Details of the share-based incentives and performance targets are available in the Directors' Statement and Note 35 in the Notes to the Financial Statements in this annual report.

Non-executive directors' fees

An independent review of the Directors' Fee Framework was conducted in 2018 by our external consultants, Willis Towers Watson. It concluded that existing board retainer and committee retainer fees were competitive while the meeting attendance fee was higher than market. As a result, the board adopted a new fee framework with a reduced attendance fee which is aligned to the market.

The board also voluntarily took a 15% reduction of its financial year 2017 fee.

The framework on the right adopted by the company is based on a scale of fees divided into basic retainer fees, attendance fees and allowances for service on board committees.

Directors' Fee Framework for 2018*

	S$
Retainer fee (per annum)	
Chairman (all-in fee)[1]	750,000
Director's basic retainer	75,000
Chairman, Executive Committee	50,000
Chairman, Audit Committee	50,000
Chairman, Risk Committee	35,000
Chairman, Executive Resource & Compensation Committee	35,000
Chairman, Nominating Committee	25,000
Chairman, Technology Advisory Panel / Others	25,000
Member, Executive Committee	30,000
Member, Audit Committee	30,000
Member, Risk Committee	20,000
Member, Executive Resource & Compensation Committee	20,000
Member, Nominating Committee	15,000
Member, Technology Advisory Panel / Others	15,000
Attendance fee (per meeting)	
Board meeting (Local)[2]	2,500
Board meeting (Overseas)[2]	5,000
Committee / General meeting (Local)[2]	1,500
Committee / General meeting (Overseas)[2]	3,000
Committee / AGM & EGM (flat fee)[3]	1,000
Teleconference (per meeting)	
Board meeting	1,500
Board committee meeting	1,000
General meeting	1,000

Notes:

* The Directors' Fee Framework applies to all directors except the Group President & CEO, who is an executive director and does not receive any directors' fees

1 With effect from January 1, 2014, the Chairman of our board only receives one all-in chairman's fee. He does not receive the directors' basic fee, nor any further fees or allowances for serving as a chairman or member of any of our board committees

2 Local – home country of the directors
Overseas – outside home country of the directors

3 Attendance fee for attending committee meeting is payable if such meetings are held on separate days from the board meeting. In the event that the committee meeting is held on the same day as the board meeting, only a flat fee of S$1,000 is payable

The directors' fees payable to non-executive directors are paid in cash and in share awards under the Sembcorp Industries Restricted Share Plan 2010. The ERCC has determined that up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards. Mr McGregor does not receive directors' fees as Group President & CEO of the company. The payment of directors' fees (both the cash and share components) is contingent on shareholders' approval. Directors and their associates also abstain from voting on any resolution(s) relating to their remuneration.

Share awards granted under the Sembcorp Industries Restricted Share Plan 2010 to non-executive directors as part of directors' fees will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares in the company (including shares obtained by other means) worth the value of their annual basic retainer fee (currently S$75,000); any excess may be disposed of as desired, subject to securities trading rules. A non-executive director may only dispose of all of his shares one year after leaving the board. Subject to shareholders' approval at the forthcoming AGM, the cash component of the directors' fees for the financial year 2019 is intended to be paid half-yearly in arrears.

The actual number of shares to be awarded to each non-executive director will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days from (and including) the day the shares are first quoted ex-dividend after the AGM (or, if the resolution to approve the final dividend is not approved, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash. The share component of the directors' fees for the financial year 2019 is intended to be paid in 2020 after the AGM has been held.

The company does not have a retirement remuneration plan for non-executive directors.

Remuneration for key management personnel
Sembcorp's remuneration and reward system for key management personnel is designed to ensure a competitive level of compensation to attract, retain and motivate employees to deliver high-level performance in accordance with the company's risk policies. Further, the level and mix of the variable remuneration is structured to ensure that the total remuneration for key management personnel is strongly aligned to the financial performance and returns delivered to shareholders. The strong relationship between pay and performance has been validated based on the pay-for-performance study conducted by our external consultants, Aon Hewitt (Singapore) in 2018.

- **Fixed remuneration**
  Fixed remuneration includes an annual basic salary and, where applicable, fixed allowances, an annual wage supplement and other emoluments. Base salaries of key management personnel are determined based on the scope, criticality and complexity of each role, equity against peers with similar responsibilities, experience and competencies, individual performance and market competitiveness.

- **Annual variable bonuses**
  The annual variable bonus is intended to recognise the performance and contributions of the individual, while driving the achievement of key business results for the company. The annual variable bonus includes two components.

  The first is the performance target bonus, linked to the achievement of pre-agreed financial and non-financial performance targets, comprising strategy, business processes and organisation and people development. It is designed to support the Group's business strategy and the ongoing enhancement of shareholder value through the delivery of annual financial strategy and operational objectives. On an individual level, the performance target bonus will vary according to the actual achievement of the Group, business unit and the individual performance.

  The second is linked to the creation of economic value added (EVA) and is designed to ensure alignment with sustainable value creation for shareholders over the longer term. An EVA linked "bonus bank" is created for each executive. Typically, one-third of the bonus bank balance is paid out in cash each year, while the remaining two-thirds is carried forward to the following year. Such carried-forward balances of the bonus bank may either be reduced or increased in future, based on the yearly EVA performance of the Group and our subsidiaries. There are provisions in the EVA incentive plan to allow for forfeiture of the outstanding balances in the bonus bank in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the company.

- **Share-based incentives**
  The company's performance share plan and restricted share plan were approved and adopted by shareholders at an extraordinary general meeting (EGM) held by the company on April 22, 2010. Through our share-based incentives, we motivate key management personnel to continue to strive for the Group's long-term shareholder value. In addition, our share-based incentive plans aim to align the interests of participants with the interests of shareholders, to improve performance and achieve sustainable growth for the company.

  The performance share award is only granted to the Group President & CEO and top management, while the restricted share award is granted to a broader group of executives. The number of performance and restricted shares awarded is determined using a valuation of the shares based on a Monte Carlo simulation. The share awards are conditional upon the achievement of pre-determined performance targets over the performance period. The performance conditions and targets are approved by the ERCC at the beginning of the performance period and the final number of shares vested to the recipient will depend on the level of achievement of these targets over the performance period, subject to the approval of the ERCC.

  The size of the restricted share awards granted in 2018 is based on the achievement of stretched financial and non-financial targets, with emphasis on organisational transformation to meet future challenges and adherence to environment, health and safety standards.

  The restricted shares awarded will vest conditionally over a four-year period contingent on satisfactory individual performance of the recipient for the financial year preceding each tranche of vesting, and continued employment with the Group.

  The performance share awards granted in 2018 were based on Total Shareholder Return, Return on Equity (excluding Sembcorp Marine), Total Renewable Capacity and implementation of digital initiatives to support the organisational transformation efforts. The grant will have a three-year performance period from January 1, 2018 to December 31, 2020. A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of performance shares eventually awarded.

  The performance shares awarded will vest in two tranches, 50% vesting in March 2021 and 50% vesting in March 2022.

Pay for performance
As in prior years, a pay-for-performance study was conducted in 2018 by our external consultants, Aon Hewitt (Singapore), to review the alignment between the Group's executive pay programme and business results. The Group benchmarked ourselves against established comparable-sized local listed companies with whom the Group competes for talent and capital.

The study benchmarked different elements of senior executive pay, namely fixed remuneration, total cash remuneration and total remuneration including long-term incentives, against that of peer companies. It found fixed remuneration for senior executives at the Group to be positioned competitively vis-à-vis the Group's relative size and complexity. Further, the total remuneration over the last five years shows a robust correlation with the Group's key financial performance drivers, including profit from operations and EVA. The performance conditions for short-term incentive plans were only partially met. Additionally, the shareholder return performance conditions that feature in the long-term incentive plan were not met, due to adverse share price movements. As a result, the realised value of the share incentive award was much lower than the granted value.

Overall, the study demonstrates sound correlation between the Group's executive pay, our key financial results, shareholder returns and peer company performance, thus reinforcing the strong pay-for-performance features underpinning the executive pay programme.

Disclosure on Remuneration (Principle 9)

Based on the revised Directors' Fee Framework, the computation of non-executive directors' fees totalled S$2,206,333 in 2018 (2017: S$1,938,769 – after applying the 15% reduction of their fees). The CEO and key management personnel also took a voluntary 10% to 15% reduction in pay given the difficult environment in 2018. More information on directors and key management personnel's remuneration can be found under the related item in the Supplementary Information section of the financial statements in this annual report.

In 2018, the company had no employees who were immediate family members of a director or the Group President & CEO.

Accountability and Audit

Accountability (Principle 10)

The board is accountable to shareholders

Sembcorp is committed to open and honest communication with shareholders at all times. The company presents a balanced and clear assessment of the Group's performance, position and prospects to shareholders through the timely release of our quarterly and annual financial results. The company believes that prompt compliance with statutory reporting requirements is imperative to maintaining shareholders' confidence and trust in the company. In line with stock exchange requirements, negative assurance statements are issued by the board to accompany the company's quarterly financial results announcements, confirming that to the best of its knowledge, nothing had come to its attention which would render the company's quarterly results false or misleading.

The company also recognises the importance of providing the board with accurate and relevant information on a timely basis. Sembcorp management furnishes management and operations reports as well as financial statements to the board on a regular basis.

Risk Management and Internal Controls (Principle 11)

The board has overall responsibility for the governance of the Group's risk management and internal controls. The company's board and management are fully committed to maintaining sound risk management and internal control systems to safeguard shareholders' interests and the Group's assets.

The board determines the company's levels of risk tolerance and risk policies, and oversees management in the design, implementation and monitoring of risk management and internal control systems.

Risk Committee

The Risk Committee (RC) assists the board in overseeing risk management for the Group. The RC is headed by Mr Haridass, who is joined on the committee by Mr Yap, Dr Teh and Mr Asherson, who was appointed to the committee with effect from May 1, 2018. Mr Tham, who served on the RC since April 2015, relinquished his membership on May 1, 2018 and joined the ExCo and ERCC.

The RC's principal functions are to:

- Review and endorse the Group's policies, guidelines and systems to govern the process for assessing and managing risk, including the risk appetite
- Review the adequacy and effectiveness of the risk management systems, processes and procedures of the Group
- Review risk-related reports submitted to it by management. These include updates on the Group's risk portfolio, reports on major risk exposure and any other risk-related issues as well as actions taken to monitor and manage such exposure / issues
- Review infrastructure and resources in place to support the management of risk including, for instance, insurance, human resources, information technology (IT) systems, and reporting structure and procedures

Adequate and effective system of internal controls

The Group has implemented a comprehensive enterprise risk management (ERM) framework where key risks identified are deliberated by management with the support of the risk management function, and reported regularly to the RC. Robust mechanisms and systems have been put in place to identify and manage the inherent risks in our business and strategy, and to monitor the Group's exposure to key risks that could impact the overall strategy and sustainability of the business. Supporting the ERM framework is a system of internal controls comprising a Code of Conduct, group-wide governance and internal control policies, procedures and guidelines dictating the segregation of duties, approval authorities and limits, and checks and balances embedded in business processes. The Group has also considered the various financial risks, details of which can be found on our website.

The Group is in the midst of transitioning our current Governance Assurance Framework (GAF) to an Integrated Assurance Framework (IAF) to put greater emphasis on the three lines of defence (LOD) model. Through the IAF structure, the respective LODs work together to ensure that key financial, operational, compliance and IT risks are reviewed and tested using a robust assurance process. Under the IAF, a pragmatic and collaborative approach to risk and controls assessment has been established, with common and consistent criteria to assess the risks and the adequacy and effectiveness of the internal controls.

Key markets, the first LOD, are in the process of adopting and implementing the IAF, which requires them to work with the second LOD comprising business lines, subject matter experts and corporate functions, to perform a thorough review and assessment of their risks and internal controls and updating of the new risk and control registers. At the same time, clear escalation procedures, consequence management framework and key risk indicators that are aligned with the Group's risk appetite are being developed as part of the IAF methodology. Collectively, this enables the Group to perform proactive management of key risks and controls. This enhances the Group's reporting and monitoring capabilities and also cultivates a risk culture of accountability and ownership. As the third LOD, Group Integrated Audit (GIA) provides independent assurance across financial, operational, compliance and IT risks through a series of walkthroughs and substantive testing. Management works closely with GIA in closing out all material issues and gaps in a timely manner to ensure that there is continual improvement to our risk and controls environment, as well as an effective feedback loop to the first and second LODs. External audit considers internal controls relevant to the preparation of financial statements to ensure they give a true and fair view.

The ERM framework and IAF are also complemented by a Management Control Assessment, which is a rigorous management attestation process submitted quarterly by each market and business unit to provide the assurance that its risk management and internal control system is adequate and effective. The submissions and responses are further validated through substantive review by the business lines, subject matter experts and corporate functions as an added layer of assurance.

During the year, the Group's risk profile was reviewed and updated. The adequacy and effectiveness of the Group's risk management and internal controls were also assessed and enhanced through a combination of management control assessment and integrated audits, as well as actions taken as a follow up to these exercises.

For more information on the company's ERM framework, please refer to our website.

For the financial year under review, the board has been assured by the Group President & CEO and Group CFO that financial records have been properly maintained, the financial statements give a true and fair view of the company's operations and finances, and the risk management and internal control systems of the Group are adequate and effective.

The board, with the concurrence of the Audit Committee, is of the opinion that the company's internal controls and risk management systems are adequate and effective as at December 31, 2018 to address the financial, operational, compliance and IT risks of the Group. This assessment is based on the risk management and internal controls established and maintained by the Group, work performed by external and internal auditors and reviews performed by senior management. Internal controls, because of their inherent limitations, can provide reasonable but not absolute assurance regarding the achievement of their intended control objectives. In this regard, the board will ensure that should any significant internal control failings or weaknesses arise, necessary remedial actions will be swiftly taken.

The IAF is expected to be implemented for all key markets by end of 2019. The Audit Committee, supported by the Risk Committee, oversees the IAF and its implementation.

Audit Committee (Principle 12)

The Audit Committee (AC) comprises independent, non-executive directors. The AC is chaired by Mr Yap. He is joined by Dr Teh, Mr Haridass as well as Mr Asherson. Mr Asherson was appointed to the AC on May 1, 2018. Mr Tham, who served on the AC since August 2013, relinquished his membership on May 1, 2018 and joined the ExCo and ERCC.

The AC does not have any member who was a former partner or director of the company's external auditors, KPMG, within the last 12 months, or who holds any financial interest in KPMG.

Authority and duties of the AC
The AC assists the board in discharging its statutory and other responsibilities on internal controls, financial and accounting matters, operational and compliance controls, and business and risk management practices of the Group. The AC has established terms of reference approved by the board and has explicit authority to investigate any matter as per its terms of reference. Its main responsibilities are to:

- Review the company's policies, control procedures and accounting practices with external auditors, internal auditors and management
- Review and act in the interest of the shareholders in respect of interested person transactions (IPT), as well as any matters or issues that affect the financial performance of the Group
- Review the quarterly, half-year and full-year results announcements, accompanying press releases and presentation slides, as well as the financial statements of the Group and the adequacy and accuracy of information disclosed prior to submission to the board for approval

The AC has full access to and co-operation from management and full discretion to invite any director or executive officer to attend its meetings. It also has reasonable resources to enable it to discharge its function properly.

Where relevant, the AC is guided by the recommended best practice for audit committees, set out in the revised Guidebook for Audit Committees issued by Singapore's Audit Committee Guidance Committee.

Key audit matters
The AC discusses the key audit matters with the management and external auditors on a quarterly basis to ensure that they are appropriately dealt with. The AC concurs with the basis and conclusions included in the auditor's report with respect to the key audit matters.

For more information on the key audit matters, please refer to pages 145 to 153 of this annual report.

External auditors
Each year, the AC reviews the independence of the company's external auditors and makes recommendations to the board on their re-appointment. During the year, the AC reviewed the performance of the external auditors using audit quality indicators recommended by ACRA as reference.

The AC reviews and approves the external audit plan to ensure the adequacy of the audit scope. It also reviews the external auditors' management letter and monitors the timely implementation of required corrective or improvement measures. The AC meets external and internal auditors at least once a year without the presence of management. It has reviewed the nature and extent of non-audit services provided by the external auditors to the Group for the year, excluding services provided to Sembcorp Marine, a listed subsidiary that has its own audit committee. The AC is satisfied that the independence of the external auditors has not been impaired by their provision of non-audit services. Accordingly, the AC has recommended the re-appointment of the external auditors at the forthcoming AGM.

Details of non-audit fees payable to the external auditors are found in Note 31(a) in the Notes to the Financial Statements in this annual report.

Whistle-blowing policy
The AC oversees the Group's Whistle-blowing Policy which has been implemented to strengthen corporate governance and ethical business practices across all markets, business lines and functional units. Employees are provided with accessible channels to report suspected fraud, corruption, dishonest practices or other misdemeanours to the Group's integrated auditors and are protected from reprisal to the extent possible. This aims to encourage the reporting of such matters in good faith. In 2018, GIA rolled out a whistle-blowing portal on the internet. This whistle-blowing portal has a pre-defined set of questions to guide whistle-blowers in providing the required information / documents in reporting their concerns and also to allow the investigation team to maintain communication.

For more information on our Whistle-blowing Policy, please refer to our website.

Internal Audit (Principle 13)
Independent integrated audit function

The integrated audit function is an important third line of defence for the company and a key component of the overall assurance framework.

The Group Integrated Audit (GIA) department provides assurance to the AC that risk management and internal control systems are in place to manage and govern key aspects of the Group's businesses, including our financial, operational, compliance and IT systems.

GIA has enhanced its audit approach by linking its integrated audit plan with the ERM framework and integrating operational and financial audits. Subject matter specialists were seconded from relevant departments to GIA for the purposes of these integrated audits. GIA is also deepening its capabilities in the areas of operations, IT, and workplace health, safety and environment audits. The GIA team has unrestricted access to all personnel, documents, accounts and property, records and correspondence and other data of the company. The auditors also have the right to enter any premises of the Group and to request any officer to furnish all information and such explanations deemed necessary for them to form an opinion on the probity of action and adequacy of systems and / or controls.

The Head of GIA reports directly to the AC and administratively to the Group President & CEO. The AC participates in the appointment, replacement or dismissal, as well as evaluation and compensation of the Head of GIA.

The AC reviews the proposed scope and performance of the GIA function, audit findings and management responses, and the Group's Integrated Audit Plan to ensure that it is comprehensive and to enable the effective and regular review of all activities within the purview of GIA. It ensures that no limitation on audit has been imposed. Integrated audit summary of findings and actions taken are reviewed and discussed at AC meetings.

Professional standards and competency
GIA comprises members with relevant qualifications and experience and the integrated audit is carried out based on the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

Shareholder Rights and Responsibilities

Shareholder Rights (Principle 14)

Sembcorp treats all shareholders fairly and equitably. The company recognises, protects and facilitates the exercise of shareholders' rights and continually reviews and updates such governance arrangements.

The company is committed to ensuring that all shareholders have easy access to clear, reliable and meaningful information in order to make informed investment decisions. The company regularly communicates major developments in our business operations via SGXNet, press releases, circulars to shareholders and other appropriate channels. The company also encourages shareholder participation and voting at general meetings of shareholders.

Communication with Shareholders (Principle 15)
Regular, effective and fair communication with shareholders

Sembcorp advocates high standards of corporate transparency and disclosure. This commitment is embodied in the company's Investor Relations Policy which adheres to fair disclosure principles and emphasises active dialogue and engagement with shareholders, investors and analysts.

Disclosure of information on a timely basis
Sembcorp makes every effort to ensure that shareholders and capital market players have easy access to clear, meaningful and timely information on the company in order to make informed investment decisions. To do this, various channels including announcements, press releases, shareholder circulars and annual reports are utilised. All price-sensitive and material information is disseminated via SGXNet on a non-selective basis and in a timely and consistent manner. The company's announcements are also uploaded to the company website, www.sembcorp.com, after dissemination on SGXNet.

The quarterly results release date is disclosed at least two weeks prior to the announcement date via SGXNet. On the date of announcement, the financial statements as well as the accompanying press release and presentation slides are released via SGXNet and the company website. Thereafter, a briefing or teleconference by management is jointly held for the media and analysts. For half-year and full-year results announcements, results briefings are concurrently broadcast live via webcast. Investor relations officers are available by email or telephone to answer questions from shareholders and analysts as long as the information requested does not conflict with the SGX-ST's rules of fair disclosure.

The company also maintains a dedicated investor relations section on our company website to cater to the specific information needs of shareholders, investors, analysts and the financial community. Designed to provide a convenient repository for investors' information needs, the site includes filings on the company's results announcements since the company's listing in 1998, an archive of the company's results briefing webcasts, downloadable five-year financial data, a calendar of upcoming events, as well as pertinent stock information such as dividend history, share price charts and analyst coverage. Investor relations contact information is also displayed on the website for direct shareholder enquiries.

Establishing and maintaining regular dialogue with shareholders
Sembcorp employs multiple communication platforms to engage with our shareholders. In addition to our results briefings, the company also maintains regular dialogue with our shareholders through investor-targeted events such as AGMs, roadshows, conferences, site visits, group briefings and one-on-one meetings. These platforms offer opportunities for senior management and directors to interact first-hand with shareholders, understand their views, gather feedback and address concerns.

To keep senior management and the board abreast of market perception and concerns, the investor relations team provides regular updates on analyst consensus estimates and views. On an annual basis, a more comprehensive update is presented, which includes updates and analysis of the shareholder register, highlights of key shareholder engagements for the year as well as market feedback.

For further details on Sembcorp's communications with its shareholders, please see the Investor Relations chapter on pages 128 and 129 of this annual report.

Dividend policy
Sembcorp is committed to achieving sustainable income and growth to enhance total shareholder return. The Group's policy aims to balance cash return to shareholders and investment for sustaining growth, while aiming for an efficient capital structure. The company strives to provide consistent and sustainable ordinary dividend payments to our shareholders, and the practice is to consider declaring dividends on a biannual basis.

Conduct of Shareholder Meetings (Principle 16)

Greater shareholder participation at general meetings

All shareholders are invited to participate in the company's general meetings.

The company disseminates information on general meetings through notices in our annual reports or circulars. These notices are also released via SGXNet, published in local newspapers and posted on the company website ahead of the meetings to give ample time for shareholders to review the documents. In line with the company's commitment towards environmental responsibility, the company stopped distributing our annual report and circular via CD-ROM since 2018. The company's annual reports and circulars are available on our website. Shareholders are encouraged to read the annual report on the company website. A booklet containing the Request Form, Notice of AGM and Proxy Form will be sent to shareholders, informing them that the annual report is available online and directing them to where they may view it. However, we are mindful that some shareholders may prefer to receive a printed copy and this will be provided upon request.

The company's constitution allows all shareholders the right to appoint up to two proxies to attend, speak and vote at general meetings on their behalf. Under the new multiple proxy regime, "relevant intermediaries", such as banks, capital markets services licence holders that provide custodial services for securities and the Central Provident Fund Board (CPF), are allowed to appoint more than two proxies to attend, speak and vote at general meetings. This will enable indirect investors, including CPF investors, to be appointed as proxies to participate at general meetings. Voting in absentia by mail, facsimile or email is currently not permitted. Such voting methods would need to be cautiously evaluated for feasibility to ensure that there is no compromise to the integrity of the information and the authenticity of the shareholders' identities.

The Group President & CEO delivers a short presentation to shareholders at each AGM to update them on the performance of Sembcorp's businesses. Every matter requiring approval at a general meeting is proposed as a separate resolution. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolutions before the resolutions are voted on. The board and management are in attendance to address these queries or concerns and obtain feedback from shareholders. External auditors and legal advisors are also present to assist the board as necessary.

The company conducts electronic poll voting at shareholder meetings for greater transparency in the voting process. Shareholders are informed of the voting procedures governing such meetings. An independent scrutineer is engaged to review the electronic poll voting system and proxy verification process during the meetings to ensure that the information is compiled adequately and procedures are carried out effectively. The total number of votes cast for or against each resolution is tallied and displayed live on-screen to shareholders immediately after the vote has been cast. Voting results will also be announced after the meetings via SGXNet.

The company secretary records minutes from these shareholder meetings, including relevant comments or queries from shareholders and responses from the board and management. The minutes are available upon request by shareholders.

Dealings in securities
The company has adopted a Code of Compliance on Dealing in Securities, which prohibits dealings in the company's securities by our directors and senior management within two weeks prior to the announcement of the company's financial statements for each of the first three quarters of our financial year and within one month prior to the announcement of the company's full-year financial statements. A Policy on Prevention of Insider Trading has also been implemented and directors and employees are advised to be mindful to observe insider trading laws at all times, even when dealing in the company's securities outside the prohibited trading period. They are also reminded not to deal in the company's securities on short-term considerations.

Interested person transactions
Shareholders have adopted an interested person transaction (IPT) mandate in respect of interested person transactions of the company. The IPT mandate defines the levels and procedures to obtain approval for such transactions. Information regarding the IPT mandate is available on the staff intranet. The company also has an internal policy and procedure to manage and capture any interested person transactions. All markets, business lines and functional units are required to be familiar with the IPT mandate as well as the internal policy and procedure, and report interested person transactions to the company for review and approval by the AC. The Group maintains a register of the company's interested person transactions in accordance with the reporting requirements stipulated by Chapter 9 of the SGX-ST Listing Manual.

Information on interested person transactions for 2018 may be found in the related item under the Supplementary Information section of the financial statements on page 330.

Details on our IPT Mandate can be found on our website.

Code of Conduct
In maintaining an effective governance and effective decision-making structure, the Group Code of Conduct was revised and implemented in 2018. The Group President & CEO regularly talks about the code in key internal meetings, which demonstrates the tone at the top in the organisation. All employees and directors of the organisation were trained on the code and its key policies.

Governance disclosure guide
In line with Sembcorp's commitment to high standards of corporate governance and disclosure, the company has completed a questionnaire with reference to the disclosure guide developed by the Singapore Exchange in 2015.

The company's responses to the disclosure guide may be found on pages 334 to 345 of this annual report

Investor Relations

Sembcorp is committed to ensuring that all capital market players have easy access to clear, reliable and meaningful information on our company in order to make informed investment decisions.

In the context of constantly-evolving disclosure, transparency and corporate governance requirements, we aim to provide investors with an accurate, coherent and balanced account of the Group's performance and prospects. Sembcorp has a dedicated investor relations team and communicates with the investing public through multiple platforms and channels. These include group briefings to analysts, investors and the media; one-on-one meetings with shareholders and potential investors; investor roadshows as well as the investor relations section of our website.

Proactive Communication with the Financial Community

During the year, senior management and the investor relations team actively engaged the financial community. We held one-on-one and group meetings with shareholders, analysts and potential investors. These included meetings during non-deal roadshows in Singapore, London, New York, Boston and Toronto led by our senior management. In 2018, our India management team also joined these roadshows. Besides roadshows, we also participated in investor conferences in Hong Kong and Singapore.

Commitment to Good Corporate Governance

As a strong endorsement of our excellence in corporate governance and disclosure, Sembcorp won the gold award for Best Annual Report at the Singapore Corporate Awards 2018 in the category of large-cap companies with S$1 billion and above in market capitalisation.

We continue to rank among the top companies in Singapore for good corporate governance and transparency. We were the sixth-highest ranked company in the 2018 edition of the Singapore Governance and Transparency Index (SGTI), Singapore's leading index assessing corporate governance practices of listed companies. The SGTI is a collaboration between CPA Australia, the Centre for Governance, Institutions and Organisations at National University of Singapore Business School, and the Singapore Institute of Directors. It compares the transparency of 589 Singapore-listed companies based on their annual financial announcements.

Total Shareholder Return

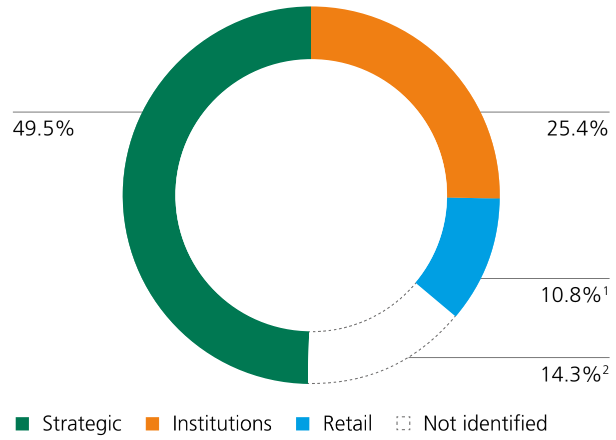
Sembcorp Industries' last traded share price in 2018 was S$2.54 and the company ended the year with a market capitalisation of S$4.5 billion. The company's share price averaged S$2.93 during the year, registering a low of S$2.45 in December and a high of S$3.57 in February. Daily turnover averaged 3.9 million shares.

In 2018, Sembcorp Industries' total shareholder return for the year stood at negative 15%. This was lower than the Straits Times Index's negative 6% and the MSCI Asia Pacific ex-Japan Industrials Index's negative 9%. The challenging operating environment in the oil and gas industry continued to weigh on the earnings of our Marine business, held through our listed subsidiary Sembcorp Marine. In 2018, the FTSE ST Oil & Gas Sector Index recorded a negative 20% return.

For the financial year 2018, an interim dividend of 2 cents per ordinary share was declared and paid to shareholders in August 2018. In addition, a final dividend of 2 cents per ordinary share has been proposed, subject to approval by shareholders at the coming annual general meeting to be held in April 2019. Together with the interim dividend, this would bring our total dividend for 2018 to 4 cents per ordinary share.

Sembcorp Group President & CEO Neil McGregor interacting with bankers and analysts

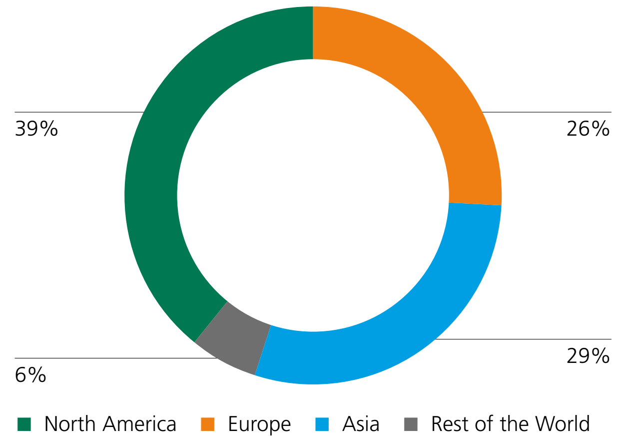
Share Ownership by Investor Category



As at December 31, 2018

Share Ownership by Geographical Distribution

Excluding shares held by the major shareholder Temasek Holdings and shareholders not identified



As at December 31, 2018

Shareholder Information

In 2018, institutional shareholders as a group continued to dominate Sembcorp's shareholder base. Other than our major shareholder Temasek Holdings, which held 49.5% of our shares at the end of 2018, institutional shareholders accounted for 25% of our issued share capital or half of free float, while retail shareholders[1] and shareholders not identified[2] accounted for the remaining half. In terms of geographical spread, excluding the stake held by Temasek Holdings and shareholders not identified, our largest geographical shareholding base was North America with 39%, followed by shareholders from Asia and Europe, which accounted for 29% and 26% of the shares respectively.

[1] Retail shareholders include private investors, brokers, custodians and corporates

[2] Shareholders not identified include mainly shareholders that fall below the threshold of 250,000 shares

Independent Limited Assurance Report

Independent Practitioner's Limited Assurance Report on Sustainability Information of Sembcorp Industries Limited

Attention to the Board of Directors of Sembcorp Industries Limited
We have been engaged by Sembcorp Industries Limited (the "Company") to undertake a limited assurance engagement in respect of the selected sustainability information from the 2018 Sustainability Report of the Company described below for the year ended 31 December 2018 (the "Identified Sustainability Information").

Identified Sustainability Information
The respective Identified Sustainability Information for the year ended 31 December 2018 is set out below:

1. GRI 201-1: Direct economic value generated and distributed
2. GRI 303-1: Total water withdrawal by source
3. GRI 305-1: Direct (Scope 1) GHG emissions
4. GRI 305-4: GHG emissions intensity
5. GRI 306-2: Waste by type and disposal method
6. GRI 306-3: Significant spills
7. GRI 307-1: Non-compliance with environmental laws and regulations
8. GRI 401-1: Employee turnover
9. GRI 403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities
10. GRI 404-1: Average hours of training per year per employee
11. GRI 413-1: Operations with local community engagement, impact assessments and development programmes

Our assurance engagement was with respect to the year ended 31 December 2018. We have not performed any procedures with respect to (i) earlier periods and (ii) any other elements included in the Company's 2018 Sustainability Report, and in the annual report, website and other publications, and therefore do not express any conclusion thereon.

Reporting Criteria
The Identified Sustainability Information has been assessed against relevant criteria in the Global Reporting Initiative ("GRI") Sustainability Reporting Standards 2016 (the "Reporting Criteria").

Management's Responsibility for the Identified Sustainability Information
Management of the Company is responsible for the preparation of the Identified Sustainability Information in accordance with the Reporting Criteria. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Identified Sustainability Information that is free from material misstatement, whether due to fraud or error.

Practitioner's Independence and Quality Control
We have complied with the independence and other ethical requirements of the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Singapore Standard on Quality Control 1 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.

Practitioner's Responsibility
Our responsibility is to express a limited assurance conclusion on the Identified Sustainability Information based on the procedures we have performed and the evidence we have obtained. We performed our limited assurance engagement in accordance with Singapore Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits and Reviews of Historical Financial Information (the "Standard"). This Standard requires that we plan and perform our work to form the conclusion about whether the Identified Sustainability Information is free from material misstatement. The extent of our procedures depends on our professional judgement and our assessment of the engagement risk.

A limited assurance engagement involves assessing the suitability in the circumstances of the Company's use of the Reporting Criteria as the basis for the preparation of the Identified Sustainability Information, assessing the risks of material misstatement of the Identified Sustainability Information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Identified Sustainability Information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures selected included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. Given the circumstances of the engagement, we also performed the following:

- Interviewed management and personnel in Group Human Resources & Organisation Development, Group Health, Safety, Security & the Environment, Group Ethics & Compliance, Group Finance and Group Strategic Communications & Sustainability departments in relation to the Identified Sustainability Information;
- Obtained an understanding of how the Identified Sustainability Information is gathered, collated and aggregated internally;
- Performed limited substantive testing, on a selective basis, of the Identified Sustainability Information (i) to verify the assumptions, estimations and computations made in relation to the Selected Sustainability Information; and (ii) to check that data had been appropriately measured, recorded, collated and reported, to the extent we considered necessary and appropriate to provide sufficient evidence for our conclusion; and
- Assessed the disclosure and presentation of the Identified Sustainability Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion about whether the Company's Identified Sustainability Information has been prepared, in all material respects, in accordance with the Reporting Criteria.

Inherent Limitations
In designing these procedures, we considered the system of internal controls in relation to the Identified Sustainability Information and reliance has been placed on internal controls where appropriate. Because of the inherent limitations in any accounting and internal control system, errors and irregularities may nevertheless occur and not be detected.

Conclusion
Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Identified Sustainability Information for the financial year ended 31 December 2018 is not prepared, in all material respects, in accordance with the Reporting Criteria.

Purpose and Restriction on Distribution and Use
This report, including our conclusion, has been prepared solely for the Company in accordance with the agreement between us. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our work or this report.

Yours faithfully

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore

7 March 2019

Financial Statements

Directors' Statement
Year ended December 31, 2018

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended December 31, 2018.

In our opinion:

a. the financial statements set out on pages 154 to 327 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50, Singapore Financial Reporting Standards (International) and International Financial Reporting Standards; and

b. at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this statement are as follows:

Ang Kong Hua
Neil McGregor
Margaret Lui
Tan Sri Mohd Hassan Marican
Tham Kui Seng
Dr Teh Kok Peng
Ajaib Haridass
Nicky Tan Ng Kuang
Yap Chee Keong
Jonathan Asherson OBE
Dr Josephine Kwa Lay Keng *(Appointed on August 1, 2018)*

Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children) in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

		Shareholdings registered in the name of director, spouse, children or nominee			Other shareholdings in which the director is deemed to have an interest		
Name of director and corporation in which interests held	**Description of interests**	**At beginning of the year**	**At end of the year**	**At 21/01/2019**	**At beginning of the year**	**At end of the year**	**At 21/01/2019**
Ang Kong Hua							
Sembcorp Industries Ltd	Ordinary shares (Note 1)	274,000	336,100	336,100	–	–	–
Neil McGregor							
Sembcorp Industries Ltd	Ordinary shares	33,900	159,400	159,400	–	–	–
	Conditional award of:						
	– 429,553 performance shares to be delivered after 2019 (Note 2a)	Up to 644,330	Up to 644,330	Up to 644,330	–	–	–
	– 638,000 performance shares to be delivered after 2020 (Note 2b)	–	Up to 957,000	Up to 957,000	–	–	–

Directors' Interests *(cont'd)*

		Shareholdings registered in the name of director, spouse, children or nominee			Other shareholdings in which the director is deemed to have an interest		
Name of director and corporation in which interests held	**Description of interests**	**At beginning of the year**	**At end of the year**	**At 21/01/2019**	**At beginning of the year**	**At end of the year**	**At 21/01/2019**
Neil McGregor *(cont'd)*							
Sembcorp Industries Ltd	Conditional award of:						
	– 416,667 restricted shares to be delivered after 2018 (Note 3)	Up to 625,001	Up to 625,001	Up to 625,001	–	–	–
Sembcorp Marine Ltd	Ordinary shares	–	15,700	15,700	–	–	–
Margaret Lui							
Sembcorp Industries Ltd	Ordinary shares	82,100	98,800	98,800	–	–	–
Tan Sri Mohd Hassan Marican							
Sembcorp Industries Ltd	Ordinary shares (Note 4)	79,400	94,300	94,300	–	–	–
Sembcorp Marine Ltd	Ordinary shares (Note 4)	296,300	371,500	371,500	–	–	–
Tham Kui Seng							
Sembcorp Industries Ltd	Ordinary shares	62,000	76,700	76,700	–	–	–
Dr Teh Kok Peng							
Sembcorp Industries Ltd	Ordinary shares	61,200	78,100	78,100	–	–	–
Sembcorp Marine Ltd	Ordinary shares	40,000	40,000	40,000	–	–	–
Ajaib Haridass							
Sembcorp Industries Ltd	Ordinary shares (Note 5)	44,400	60,500	60,500	–	–	–
Sembcorp Marine Ltd	Ordinary shares	854,510	888,610	888,610	–	–	–
Nicky Tan Ng Kuang							
Sembcorp Industries Ltd	Ordinary shares	16,500	31,200	31,200	–	–	–
Yap Chee Keong							
Sembcorp Industries Ltd	Ordinary shares	4,400	20,400	20,400	–	–	–
Jonathan Asherson OBE							
Sembcorp Industries Ltd	Ordinary shares	–	4,000	4,000	–	–	–

Note 1: Of the 336,100 Sembcorp Industries Ltd (SCI) shares, 270,500 shares are held in the name of DBS Nominees Pte Ltd.

Note 2: The actual number to be delivered will depend on the achievement of set targets over a 3-year period as indicated below. Achievement of targets below threshold level will mean no performance shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional performance shares awarded could be delivered:

a. Period from 2017 to 2019

b. Period from 2018 to 2020

Note 3: The actual number to be delivered will depend on the achievement of set targets at the end of the 2-year performance period from 2017 to 2018. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.

Note 4: The 94,300 SCI shares and 371,500 Sembcorp Marine Ltd shares are held in the name of Citibank Nominees Singapore Pte Ltd.

Note 5: Of the 60,500 SCI shares, 5,000 shares are held in the name of Bank of Singapore.

Directors' Interests *(cont'd)*

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and January 21, 2019.

Except as disclosed under the "Share-based Incentive Plans" section of this statement, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except as disclosed in Notes 31(a) and 38(b) to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he / she is a member, or with a company in which he / she has a substantial financial interest.

Share-based Incentive Plans

The Company's Performance Share Plan (SCI PSP 2010) and Restricted Share Plan (SCI RSP 2010) (collectively, the "2010 Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on April 22, 2010.

The Executive Resource & Compensation Committee (the "Committee") of the Company has been designated as the Committee responsible for the administration of the Share Plans. The Committee comprises the following members, all of whom are directors:

Ang Kong Hua *(Chairman)*
Margaret Lui
Tan Sri Mohd Hassan Marican
Nicky Tan Ng Kuang
Tham Kui Seng *(Appointed on May 1, 2018)*

The SCI RSP 2010 is the incentive scheme for directors and employees of the Group whereas the SCI PSP 2010 is aimed primarily at key executives of the Group.

The 2010 Share Plans are intended to increase the Company's flexibility and effectiveness in its continuing efforts to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of the Group.

The 2010 Share Plans use methods fairly common among major local and multinational companies to incentivise and motivate senior management and senior executives to achieve pre-determined targets which create and enhance economic value for the shareholders. They provide incentives to high performing senior management and senior executives to excel in their performance and encourage greater dedication and loyalty to the Company. Through the 2010 Share Plans, the Company is able to motivate senior management and senior executives to continue to strive for the Group's long-term shareholder value. In addition, the 2010 Share Plans aim to foster a greater ownership culture within the Group which aligns the interests of participants with the interests of shareholders, and to improve performance and achieve sustainable growth for the Company in the changing business environment. Generally, it is envisaged that the range of performance targets to be set under SCI PSP 2010 and the SCI RSP 2010 will be different, with the former emphasising stretched or strategic targets aimed at sustaining longer term growth.

Share-based Incentive Plans *(cont'd)*

While the 2010 Share Plans cater principally to Group executives, it is recognised that there are other persons who can make significant contributions to the Group through their close working relationship with the Group. Such persons include employees of associated companies over which the Company has operational control.

A participant's awards under the 2010 Share Plans will be determined at the sole discretion of the Committee. In considering an award to be granted to a participant, the Committee may take into account, *inter alia*, the participant's performance during the relevant period, and his / her capability, entrepreneurship, scope of responsibility and skill set.

Other information regarding the 2010 Share Plans is as follows:

a. Performance Share Plan

Under the SCI PSP 2010, the awards granted are conditional on performance targets set based on medium-term corporate objectives at the start of each rolling three-year performance qualifying period. For awards granted in 2017 and earlier, a specific number of performance shares will be awarded at the end of the three-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset. During the year, SCI PSP 2010 was updated after a review of the Group's long-term business plans. Following this review, for awards granted from 2018 onwards, depending on the extent of the achievement of performance conditions during a three-year period, 50% of the final performance shares will vest at the end of the three-year performance period, and the remaining 50% will vest in the subsequent year.

For awards granted from 2014 onwards, the performance levels were calibrated based on Wealth Added, Total Shareholder Return and Earnings Per Share. A minimum threshold performance must be realised to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Performance shares to be delivered will range from 0% to 150% of the conditional performance shares awarded.

To create alignment between senior management and other employees at the time of vesting, SCI PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the other employees for the performance period 2017 to 2019 will be vested to the senior management participants only if the restricted shares for the performance period 2018 to 2019 are vested, subject to the achievement of the performance conditions for the respective performance periods.

For awards granted from 2018 onwards, the performance was calibrated based on Total Shareholder Return and transformation outcomes. The transformation criteria comprise goals on Return on Equity (excluding Sembcorp Marine Ltd), Total Renewable Capacity and implementation of digital initiatives. A minimum threshold performance must be realised to trigger an achievement factor, which in return determines the number of shares to be finally awarded. Performance shares to be delivered will range from 0% to 150% of the conditional performance shares awarded.

Senior management participants are required to hold a minimum percentage of the shares released to them under the SCI PSP 2018 to maintain a stake in the Company, for the duration of their employment or tenure with the Group. This percentage is based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

Share-based Incentive Plans *(cont'd)*

a. Performance Share Plan *(cont'd)*

i. Sembcorp Industries Ltd Performance Shares

The details of the movement of the performance shares of Sembcorp Industries Ltd awarded during the financial year since commencement of the Performance Share Plan (aggregate) are as follows:

Performance shares participants	At Jan 1	Movements during the year: Conditional performance shares awarded	Conditional performance shares lapsed	Performance shares lapsed arising from targets not met	Conditional performance shares released	At Dec 31
2018						
Director of the Company:						
Neil McGregor	429,553	638,000	–	–	–	1,067,553
Key executives of the Group	1,973,750	1,344,000	(40,000)	(743,750)	–	2,534,000
	2,403,303	**1,982,000**	**(40,000)**	**(743,750)**	**–**	**3,601,553**
2017						
Director of the Company:						
Tang Kin Fei[1]	1,022,000	–	(304,500)	(300,000)	–	417,500
Neil McGregor[2]	–	429,553	–	–	–	429,553
Key executives of the Group	1,396,250	460,000	–	(300,000)	–	1,556,250
	2,418,250	**889,553**	**(304,500)**	**(600,000)**	**–**	**2,403,303**

1 Tang Kin Fei retired as Group President & CEO of SCI on March 31, 2017 and retired as Director of SCI on May 31, 2017.

2 Neil McGregor was appointed as Group President & CEO of SCI on April 1, 2017.

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2015 to 2017 (2017: performance period 2014 to 2016), no performance shares were released via the issuance of treasury shares in 2018 (2017: nil).

In 2018, 743,750 (2017: 600,000) performance shares were lapsed for under-achievement of the performance targets for the performance period 2015 to 2017 (2017: 2014 to 2016).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2018, was 3,601,553 (2017: 2,403,303). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 5,402,329 (2017: 3,604,954) performance shares.

Share-based Incentive Plans *(cont'd)*

a. Performance Share Plan *(cont'd)*

ii. Performance shares of a listed subsidiary

The details of the movement of the performance shares of Sembcorp Marine Ltd awarded during the year are as follows:

	2018	2017
At January 1	**4,733,000**	4,513,000
Conditional performance shares awarded	**1,168,000**	1,600,000
Conditional performance shares lapsed	**(598,000)**	–
Performance shares lapsed arising from targets not met	**(1,215,000)**	(1,380,000)
At December 31	**4,088,000**	4,733,000

No performance shares of Sembcorp Marine Ltd were awarded to the directors of the Company.

With the Sembcorp Marine Ltd Executive Resource & Compensation Committee's approval on the achievement factor for the performance targets for the performance period 2015 to 2017 (2017: 2014 to 2016), no performance shares were released via the issuance of treasury shares (2017: nil).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at December 31, 2018, was 4,088,000 (2017: 4,733,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 6,132,000 (2017: 7,099,500) performance shares.

b. Restricted Share Plan

Award granted until 2017

Under the SCI RSP 2010, the awards granted up to 2017 were conditional on performance targets set based on corporate objectives at the start of each rolling two-year performance qualifying period. The performance criteria for the restricted shares are calibrated based on Return on Total Assets and Group Profit from Operations (both excluding Sembcorp Marine Ltd) for awards granted in 2017.

A minimum threshold performance must be realised to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Based on the criteria, restricted shares to be delivered will range from 0% to 150% of the conditional restricted shares awarded.

A specific number of restricted shares will be awarded at the end of the two-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset. There is a further vesting period of three years after the performance period, during which one-third of the awarded shares are released each year to managerial participants. Non-managerial participants will receive the equivalent in cash at the end of the two-year performance cycle, with no further vesting conditions.

Share-based Incentive Plans *(cont'd)*

b. Restricted Share Plan *(cont'd)*

Award granted from 2019

After comprehensive review of the Group's total remuneration structure, with effect from FY2019, shares will be granted to eligible employees under the SCI RSP 2010 based on financial performance and corporate objectives achieved in the preceding year. The performance criteria for FY2019 restricted shares awards granted are calibrated based on Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) and Return On Equity (ROE) (both excluding Sembcorp Marine Ltd), and non-financial performance targets, comprising transformation milestones and adherence to environment, health and safety standards achieved by the Group for FY2018.

Senior management participants are required to hold a minimum percentage of the shares released to them under the Restricted Share Plan to maintain a stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

To align the interests of the non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the SCI RSP 2010.

From 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Neil McGregor, who was the Group President & CEO, and who did not receive any directors' fees). In 2018 and 2017, the awards granted comprised fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares awarded to each non-executive director will be determined by reference to the volume-weighted average price of a share on the Singapore Exchange (SGX) over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the Annual General Meeting (AGM) (or, if the resolution to approve the final dividend is not approved, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash. A non-executive director who steps down before the payment of the share component will receive all of his director's fees for the year (calculated on a pro-rated basis, where applicable) in cash.

For managerial participants, a quarter of the awards granted will vest immediately depending on the fulfilment of the criteria outlined above. The remaining three-quarters of the awards will vest over the following three years in equal tranches, subject to individual performance and fulfilment of service conditions at vesting.

The managerial participants of the Group will be awarded restricted shares under SCI RSP 2010, while the non-managerial participants of the Group will receive their awards in an equivalent cash value. This cash-settled notional restricted shares award for non-managerial participants is known as the Sembcorp Challenge Bonus.

Share-based Incentive Plans *(cont'd)*

b. Restricted Share Plan *(cont'd)*

i. Sembcorp Industries Ltd Restricted Shares

The details of the movement of the restricted shares of Sembcorp Industries Ltd awarded during the year are as follows:

		Movements during the year				
Restricted shares participants	**At Jan 1**	**Conditional restricted shares awarded**	**(Restricted shares lapsed due to under-achievement of targets) / Additional restricted shares awarded due to over-achievement of targets**	**Conditional restricted shares released**	**Conditional restricted shares lapsed**	**At Dec 31**
2018						
Directors of the Company:						
Ang Kong Hua	–	62,100	–	(62,100)	–	–
Neil McGregor	416,667	2,500	–	(2,500)	–	416,667
Margaret Lui	–	16,700	–	(16,700)	–	–
Tan Sri Mohd Hassan Marican	–	14,900	–	(14,900)	–	–
Tham Kui Seng	–	14,700	–	(14,700)	–	–
Dr Teh Kok Peng	–	16,900	–	(16,900)	–	–
Ajaib Haridass	–	16,100	–	(16,100)	–	–
Nicky Tan Ng Kuang	–	14,700	–	(14,700)	–	–
Yap Chee Keong	–	16,000	–	(16,000)	–	–
Jonathan Asherson OBE	–	4,000	–	(4,000)	–	–
Dr Josephine Kwa Lay Keng	–	–	–	–	–	–
Other executives of the Group	9,311,249	–	(1,441,095)	(2,496,526)	(707,698)	4,665,930
	9,727,916	**178,600**	**(1,441,095)**	**(2,675,126)**	**(707,698)**	**5,082,597**
2017						
Directors of the Company:						
Ang Kong Hua	–	72,200	–	(72,200)	–	–
Neil McGregor[1]	–	430,567	–	(13,900)	–	416,667
Tang Kin Fei[2]	659,400	–	46,000	(494,400)	–	211,000
Bobby Chin Yoke Choong *(retired on April 19, 2017)*	–	–	–	–	–	–
Margaret Lui	–	20,900	–	(20,900)	–	–
Tan Sri Mohd Hassan Marican	–	19,200	–	(19,200)	–	–
Tham Kui Seng	–	18,400	–	(18,400)	–	–
Dr Teh Kok Peng	–	21,100	–	(21,100)	–	–
Ajaib Haridass	–	19,800	–	(19,800)	–	–
Nicky Tan Ng Kuang	–	14,700	–	(14,700)	–	–
Yap Chee Keong	–	4,400	–	(4,400)	–	–
Jonathan Asherson OBE	–	–	–	–	–	–
Other executives of the Group	8,436,328	2,932,967	543,655	(2,564,724)	(247,977)	9,100,249
	9,095,728	**3,554,234**	**589,655**	**(3,263,724)**	**(247,977)**	**9,727,916**

[1] Neil McGregor was appointed as Group President & CEO of SCI on April 1, 2017.

[2] Tang Kin Fei retired as Group President & CEO of SCI on March 31, 2017 and retired as Director of SCI on May 31, 2017.

Share-based Incentive Plans *(cont'd)*

b. Restricted Share Plan *(cont'd)*

i. Sembcorp Industries Ltd Restricted Shares *(cont'd)*

With the Committee's approval on the achievement factor for performance targets for the performance period 2016 to 2017, a total of 765,993 restricted shares were released in 2018. For awards in relation to the performance period 2015 to 2016, a total of 1,019,562 (2017: 1,422,285) were released in 2018. For awards in relation to the performance period 2014 to 2015, 698,350 restricted shares were released in 2018 (2017: 940,410). For awards in relation to the performance period 2013 to 2014, 696,429 restricted shares were released in 2017. In 2018, there were 178,600 (2017: 204,600) shares released to non-executive directors. In 2018, there were an additional 12,621 shares released to employees due to sale of a subsidiary. Of the restricted shares released, 55,437 (2017: 36,513) restricted shares were cash-settled. The remaining restricted shares were released via the issuance of treasury shares.

In 2018, 1,441,095 shares were lapsed due to under-achievement of the performance targets for the performance period 2016 to 2017. In 2017, an additional 589,655 restricted shares were awarded for the over-achievement of the performance targets for the performance period 2015 to 2016.

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2018, was 5,082,597 (2017: 9,727,916). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 2,992,934 (2017: 6,947,566). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 4,489,401 (2017: 10,421,349) restricted shares.

Sembcorp Challenge Bonus

With the Committee's approval on the achievement factor for performance targets for the performance period 2016 to 2017 (2017: performance period 2015 to 2016), a total of S$0.9 million, equivalent to 258,928 (2017: S$1.6 million, equivalent to 438,253) notional restricted shares, were paid. No (2017: 660,000) notional restricted shares of Sembcorp Industries Ltd's shares were awarded in 2018 for the Sembcorp Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at end 2018, was 660,000 (2017: 1,226,000). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 990,000 (2017: 1,839,000).

ii. Restricted shares of a listed subsidiary

The details of the movement of the restricted shares of Sembcorp Marine Ltd awarded during the year are as follows:

		Movements during the year				
Restricted shares participants	**At Jan 1**	**Conditional restricted shares awarded**	**Restricted shares lapsed arising from targets not met**	**Conditional restricted shares released**	**Conditional restricted shares lapsed**	**At Dec 31**
2018						
Directors of the Company:						
Neil McGregor	–	15,700	–	(15,700)	–	–
Tan Sri Mohd Hassan Marican	–	75,200	–	(75,200)	–	–
Other participants	15,383,413	8,033,088	(6,078,150)	(1,096,803)	(624,821)	15,616,727
	15,383,413	**8,123,988**	**(6,078,150)**	**(1,187,703)**	**(624,821)**	**15,616,727**
2017						
Directors of the Company:						
Tang Kin Fei[1]	–	44,300	–	(44,300)	–	–
Tan Sri Mohd Hassan Marican	–	104,200	–	(104,200)	–	–
Ajaib Haridass	–	49,000	–	(49,000)	–	–
Other participants	13,716,142	7,978,950	(3,923,317)	(1,589,442)	(798,920)	15,383,413
	13,716,142	**8,176,450**	**(3,923,317)**	**(1,786,942)**	**(798,920)**	**15,383,413**

[1] Tang Kin Fei retired as Group President & CEO of SCI on March 31, 2017 and retired as Director of SCI on May 31, 2017.

Share-based Incentive Plans *(cont'd)*

b. Restricted Share Plan *(cont'd)*

ii. Restricted shares of a listed subsidiary *(cont'd)*

With the Sembcorp Marine Ltd Committee's approval on the achievement factor for performance targets for the performance period 2016 to 2017, a total of 395,199 restricted shares were released in 2018. For awards in relation to the performance period 2015 to 2016, a total of 198,575 (2017: 266,891) restricted shares were released in 2018. For awards in relation to the performance period 2014 to 2015, a total of 318,129 (2017: 386,942) restricted shares were released in 2018. For awards in relation to the performance period 2013 to 2014, no restricted shares were released in 2018 (2017: 733,009). In 2018, there were 275,800 (2017: 400,100) restricted shares released to non-executive directors. The restricted shares were released via the issuance of treasury shares.

In 2018, 6,078,150 (2017: 3,923,317) Sembcorp Marine Ltd's restricted shares were lapsed due to under-achievement of the performance targets for the performance period 2016 to 2017 (2017: 2015 to 2016).

The total number of Sembcorp Marine Ltd's restricted shares outstanding, including awards achieved but not released, as at December 31, 2018, was 15,616,727 (2017: 15,383,413). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 14,817,138 (2017: 14,674,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 22,225,707 (2017: 22,011,000) restricted shares.

With the Sembcorp Marine Ltd's Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2016 to 2017 (2017: performance period 2015 to 2016), a total of S$789,088 (2017: S$454,284), equivalent to 354,774 (2017: 248,950) notional restricted shares, were paid.

A total of 2,520,117 (2017: 3,074,000) notional restricted shares were awarded on August 23, 2018 (2017: May 26, 2017) for the Sembcorp Marine Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Marine Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at December 31, 2018, was 4,684,737 (2017: 5,230,850). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 7,027,106 (2017: 7,846,275).

c. Maximum Number of Shares Issuable

The maximum number of performance shares and restricted shares which could be delivered, when aggregated with the number of new shares issued and issuable in respect of all options granted, is within the 15% limit of the share capital of the Company on the day preceding the relevant date of the grant.

Audit Committee

The members of the Audit Committee during the year and at the date of this report are:

Yap Chee Keong *(Chairman)*
Dr Teh Kok Peng
Ajaib Haridass
Jonathan Asherson OBE

The Audit Committee held five meetings during the financial year. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee performed the functions specified in Section 201B of the Singapore Companies Act, Chapter 50, the Listing Manual of the SGX, and the Code of Corporate Governance.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the external and internal auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX).

The Audit Committee has full access to the management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Ang Kong Hua
Chairman

Neil McGregor
Director

Singapore
March 4, 2019

Independent Auditors' Report

Year ended December 31, 2018

Members of the Company
Sembcorp Industries Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sembcorp Industries Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheets of the Group and the balance sheets of the Company as at December 31, 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 154 to 327.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheets of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act"), Singapore Financial Reporting Standards International ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Report on the audit of the financial statements *(cont'd)*

Impairment assessment of property, plant and equipment

(Refer to Notes 3 and 43 to the financial statements: S$11,672,000,000)

Risk:

The Group's shipyard and utilities assets were subject to impairment test assessments, owing to the continued challenging market conditions impacting the Group's offshore and marine as well as utilities sector.

The Group's largest assets and facilities are (i) the integrated yards, which include the individual yard locations in Singapore, the sub-contracting yards in Indonesia and the United Kingdom (the Singapore cash-generating unit (CGU)) (ii) the yard in Brazil (Brazil CGU) (iii) the power plants located in India, Singapore and United Kingdom (UK). Impairment indicators exists for certain of the utilities CGUs located in India, Singapore and UK.

The assets are measured at cost less accumulated depreciation and impairment loss. An impairment loss exists when the net carrying amount of the assets is in excess of the recoverable amount. The recoverable amount of a CGU is the higher of the CGU's fair value less costs of disposal and its value-in-use. As the fair values of these assets are not readily determinable and are expected to be lower than the value-in-use computations, the Group measures the recoverable amount using the discounted cash flow technique.

The determination of the recoverable amounts of these CGUs involves a high degree of judgement and is subject to significant estimation uncertainties, principally, the forecast orderbook (shipyards) as well as gross margin forecasts and plant load factors (power plants). The forecast orderbook includes a diversified portfolio of long-term contracts whose contract pricing takes into account prevailing market conditions and the outlook of the oil and gas industry, while the gross margin forecasts and plant load factors take into account expected customer demand and forecasted tariff rates. These are inherently subject to estimation uncertainties (Notes 3 and 43) as well as political and regulatory developments.

As the Brazil CGU is not yet fully operational, and there is limited track record of historical contract awards and performance, the Group has factored in the long-term fundamentals of the oil and gas sector in Brazil to project the future orderbook. Accordingly, the future orderbook considers the projected capital expenditure of state-owned and international oil majors covering exploration and production projects that would lead to new build orders, regulations governing local content requirements, as well as forecast movements in oil prices in the foreseeable future projected by industry analysts. The long-term returns of the Brazil CGU, however, can also be significantly impacted by political risk.

The outcome of the impairment tests on the shipyard assets for the Singapore CGU, Brazil CGU and the utilities' CGUs located in India, Singapore and UK shows that the recoverable amounts are currently in excess of the net carrying amounts attributable to these CGUs as at the reporting date.

Our response:

We assessed the Group's process for identifying and reviewing the CGUs subject to impairment testing.

We reviewed the key assumptions supporting the value-in-use calculations to arrive at the recoverable amounts of these CGUs. We compared the forecast orderbook to firm commitments secured from customers, management approved budgets built from the Group's past and actual experiences, prevailing industry trends, and industry analysts' reports. We compared the plant load factors and gross margin forecasts to what has been achieved historically, as well as prevailing industry trends. We compared the discount rates to market observable data including market and country risk premiums and any asset-specific risk premium.

We also reviewed available qualitative information from industry analysts, projected capital expenditure by oil majors supporting the projection of orders, and regulations on local content requirements. We assessed the related disclosures on key assumptions applied in determining the recoverable amounts of the CGUs.

Our findings:

The Group has a process for identifying and reviewing the CGUs for impairment testing. The impairment test assessments incorporated the known relevant considerations as at the reporting date (Notes 3 and 43). The disclosures describing the inherent degree of estimation uncertainty and the sensitivity of the assumptions applied are appropriate. If unfavourable changes to these assumption occur, this could lead to lower operating cash inflows and material impairment outcomes which may in turn affect the financial position and performance of the Group.

Report on the audit of the financial statements *(cont'd)*

Recognition of revenue and recoverability of trade receivables and contract balances in relation to contracts with customers

(Refer to Note 28 to the financial statements: Revenue of S$11,689,000,000)

(Refer to Notes 8, 9 and 15 to the financial statements: Trade receivables of S$2,041,000,000, Contract assets of S$1,022,000,000 and Contract costs of S$329,000,000)

Risk:

One of the Group's significant revenue streams is derived from long-term construction contracts in relation to shipbuilding and conversion as well as infrastructure construction activities.

In accordance with SFRS(I) 15 Revenue from Contracts with Customers, the analysis of whether these contracts comprise of one or more performance obligations, and whether the performance obligations are satisfied over time or at a point in time, are areas requiring critical judgement by the Group. The requirements of SFRS(I) 15 were applied retrospectively when the standard became effective from January 1, 2018. Accordingly similar analysis were required of the ongoing contracts during the year ended December 31, 2017.

The Group accounts for revenue recognised over time from long-term construction contracts based on the percentage of completion method, which involves estimation uncertainties around the stage of physical activities completed as well as costs to complete the contracts.

As at the reporting date, there were also certain contracts subject to deferral in delivery or scope variations ("contract modifications"). In accordance with SFRS(I) 15, the analysis of whether such contract modifications result in separate performance obligations involve management judgement and estimates.

Owing to the continued difficult market conditions impacting the offshore and marine sector, the recoverability of trade receivables and contract balances in relation to contracts with customers is inherently judgemental. In accordance with SFRS(I) 9 Financial Instruments, the Group is required to recognise loss allowances on expected credit losses on financial assets and contract assets. The determination of the loss allowances requires significant judgement and estimates to determine whether the financial asset is credit impaired, and the best estimate of the ultimate realisation of the amounts receivable from customers and contract assets from customer contracts.

In relation to certain contracts with a customer that had filed for bankruptcy protection, revenues from these contracts continue to be suspended, with no additional adjustments on receivables and contract balances recorded for the current year, following contract provisions recorded in the prior years. As at the date of this report, the outcome arising from the bankruptcy protection filing and consequential restructuring remains a highly judgemental matter. Accordingly, there is a risk of a material adjustment to the carrying amounts of these contracts depending on events and circumstances that may occur in future periods.

Report on the audit of the financial statements *(cont'd)*

***Recognition of revenue and recoverability of trade receivables and contract balances in relation to contracts with customers** (cont'd)*

Our response:

- We reviewed the Group's estimation process (including the approval of project budget, monitoring of project costs and activities, and management's review of the project's stage of completion and milestones achieved with customers) used in determining the amounts of revenue recognised in the financial statements as well as in relation to determining the amounts of loss allowance recognised on the financial assets and contract assets.

- We reviewed the terms and conditions of contracts and contract modifications, along with discussions with management, to assess if management's identification of performance obligations and timing of revenue recognition is appropriate, and to identify the relevant adjustments on revenue recognition arising from the adoption of SFRS(I) 15 and contract modifications during the year.

- We reviewed the contractual terms and work status of the projects, along with discussions with management and checked that contract revenue was recognised according to the percentage of completion of each project measured by the stage of completion of physical activities or by reference to the ratio of costs incurred to-date to the estimated costs for each contract.

- We reviewed the credit review assessment prepared by management for the customers with significant new contracts, and we analysed current on-going negotiations and settlements of significant contracts subject to modifications, to identify if the collectability of contract consideration is probable.

- We reviewed the significant inputs to management's assessment of the amounts of loss allowance recognised on expected credit losses, and considered the reasonableness of the inputs by reference to the recent credit review assessments prepared by management.

- We reviewed the re-forecast of each significant contract and enquired with management on any current on-going negotiations that may impair the recoverability of significant receivables and contract balances.

- We assessed the adequacy of disclosures in describing the areas of judgement and estimation uncertainties involving revenue recognition.

Our findings:

The Group has processes to determine the amounts of revenue recognised in the financial statements as well as to assess credit risk and determine the amount of credit loss allowance to be recognised on trade receivables and contract assets.

We found the basis over identification of performance obligations and timing of satisfaction of performance obligations to be appropriate. The relevant adjustments on revenue for the adoption of SFRS(I) 15 and contract modifications were appropriately considered.

We found that the measurement of percentage of completion used by the Group for revenue recognition appropriately reflects the status of and progress of the projects; and revenue was recognised only when collectability of the amounts was assessed by management to be probable.

The judgements applied by management around the recovery of receivables and contract balances, as well as those contracts belonging to customers undergoing financial restructuring, were relevant under the facts and circumstances currently made available to the Group.

We found the disclosures in describing the areas of judgement and inherent degree of estimation uncertainties involved, to be appropriate.

Report on the audit of the financial statements *(cont'd)*

Valuation of goodwill

(Refer to Notes 12 and 43 to the financial statements: S$272,000,000)

Risk:

At December 31, 2018, the Group's balance sheet includes goodwill amounting to S$272,000,000, predominantly allocated to six CGUs. The determination of the recoverable value of goodwill involves significant estimation uncertainties in relation to the cash flows from the respective CGUs and the underlying assumptions to be applied. The cashflows are sensitive to key assumptions relating to discount rates, long-term growth rates as well as profitability of the CGUs based on existing market conditions.

Our response:

We reviewed the key assumptions relating to the estimated future cash flows of each CGU by considering historical performance against budgets, discussions with management and our understanding of future market and regulatory conditions. We also compared the long-term growth rates and discount rates for each CGU to available industry data. We also considered the disclosures in describing the inherent degree of estimation uncertainty and key assumptions applied.

Our findings:

We found the key assumptions to be supported by market data and management's expectations of future conditions and the disclosures (Notes 12 and 43) to be appropriate in describing the inherent degree of estimation uncertainty and key assumptions applied.

If unfavourable changes to those assumptions occur, this could lead to lower operating cash inflows and material impairment outcomes, which may in turn affect the financial position and performance of the Group.

Report on the audit of the financial statements *(cont'd)*

Litigation, claims and other contingencies

(Refer to Notes 40 and 43 to the financial statements)

Risk:

The Group is subject to operational, business and political risks in the countries in which it operates. These risks could give rise to litigation, claims and other contingencies (collectively, the "contingencies") which could have a significant financial impact if the potential exposures were to materialise. Ad-hoc Committees / Taskforces, if formed for any specific purpose, may conduct independent investigations on allegations that have potential impact on the business and the Group's financial statements, and recommend decisions as considered appropriate in connection with the independent investigations.

The determination by management of whether, and how much, to provide and / or disclose for such contingencies is highly judgemental.

Our response:

We assessed the Group's process for identifying and monitoring significant adverse developments arising from contingencies and where appropriate, legal, regulatory and political developments. We have reviewed the terms of reference of ad-hoc Committees formed.

We evaluated management's assessment of the likely outcome and potential exposures arising from all significant contingencies and allegations subject to on-going investigations; and considered the requirements for any provisions and related disclosures. Our work included:

- Assessment of the progress of all significant contingencies, including reviewing the Group's public announcements and the underlying basis for the announcements made;
- Consideration of any evidence of legal disputes which we were made aware;
- Holding discussions with management, the Group's in-house legal counsel and members of the Ad-hoc Committees / Taskforce, and reviewing pertinent correspondence between the parties involved and relevant reports issued by third parties;
- Obtaining independent legal confirmation letters from and discussing with the Group's external lawyers handling these issues to confirm the fact patterns which we have been advised; and
- Involvement of specialists to look into any on-going investigation work commissioned by the Ad-hoc Committees to support management's conclusions.

Our findings:

We found that the Group has a process for identifying and monitoring potential exposures arising from legal, regulatory and political developments as well as determination of the appropriate measurement and / or disclosures of such contingencies in the Group's financial statements. From our audit procedures performed, we found the liabilities recognised and disclosures on contingencies to be appropriate.

Report on the audit of the financial statements *(cont'd)*

Acquisitions

(Refer to Note 37 to the financial statements)

Risk:

During the year the Group made two significant acquisitions, requiring the purchase price to be allocated to the fair value of the identifiable assets (including intangible assets) acquired and liabilities assumed. Judgement is required in determining the classification of the acquisitions as asset acquisitions or business combinations. There is judgement and inherent uncertainty involved in the valuation of the assets and liabilities (where the purchase price allocation is completed on either a provisional or final basis) as well as settlement of any existing litigations between the parties.

The Group has used provisional amounts of purchase price allocation for the accounting of these acquisitions, and has a one year measurement period from the acquisition date to complete the accounting for the acquisitions. Fair value adjustments may arise on the completion of respective final purchase price allocations due to the estimation uncertainty involved.

Our response:

We examined the terms and conditions of the sales and purchase agreements and the purchase price allocation exercises. We involved our valuation specialists (where necessary) and compared the methodologies and key assumptions used in determining the fair values assigned on a provisional basis to the identifiable assets acquired and liabilities assumed, to generally accepted market practices and market data. We also considered the disclosures for these acquisitions.

Our findings:

The judgements applied by management in the classification of the acquisition were appropriate. The estimates used in allocating the purchase price to the respective assets acquired and liabilities assumed (determined on a provisional basis) were appropriately supported by available information. We also found the disclosures of these acquisitions to be appropriate.

Other Information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the following items prior to the date of this auditors' report:

- Group FY2018 Highlights
- Chairman and CEO's Statement
- Embracing Change, Enabling the Future
- CEO Interview
- Group Financial Review
- Utilities Review
- Marine Review
- Urban Development Review
- Directors' Statement

The following items (the "Reports") are expected to be made available to us after that date:

- Driving Digitalisation and Innovation
- Our Value Creation Process
- Our Leadership
- Environmental, Social and Governance Review
- Supplementary Information
- EVA Statement
- Shareholders' Information
- Governance Disclosure Guide and Additional Information on Directors Seeking Re-election
- Corporate Information

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

.

Report on the audit of the financial statements *(cont'd)*

Other Information (cont'd)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act, SFRS(I)s and IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Report on the audit of the financial statements *(cont'd)*

Auditors' responsibilities for the audit of the financial statements *(cont'd)*

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Ling Su Min.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
March 4, 2019

Balance Sheets

As at December 31, 2018

(S$ million)	Note	Group December 31, 2018	Group December 31, 2017	Group January 1, 2017	Company December 31, 2018	Company December 31, 2017	Company January 1, 2017
Non-current assets							
Property, plant and equipment	3	**11,672**	11,158	11,226	**328**	347	498
Investment properties	4	**110**	91	61	**–**	–	–
Investments in subsidiaries	5	**–**	–	–	**2,647**	2,649	2,444
Associates and joint ventures	6	**1,741**	1,765	1,746	**–**	–	–
Other financial assets	7	**262**	175	201	**–**	–	–
Trade and other receivables	8	**2,349**	1,184	734	**273**	226	206
Tax recoverable		**17**	7	10	**–**	–	–
Contract costs	15	*****	128	–	**–**	–	–
Assets held for sale	11	**–**	100	–	**–**	100	–
Intangible assets	12	**779**	581	637	**24**	25	23
Deferred tax assets	13	**67**	64	113	**–**	–	–
		16,997	15,253	14,728	**3,272**	3,347	3,171
Current assets							
Inventories	14	**513**	524	457	**7**	9	11
Trade and other receivables	8	**2,289**	2,094	2,006	**96**	141	171
Contract assets	9	**1,022**	661	453	**10**	–	–
Tax recoverable		**22**	21	16	**–**	–	–
Contract costs	15	**329**	2,363	2,612	**–**	–	–
Assets held for sale	11	**129**	–	182	**127**	–	–
Other financial assets	7	**95**	142	120	**–**	–	–
Cash and cash equivalents	16	**1,925**	2,687	1,882	**759**	720	390
		6,324	8,492	7,728	**999**	870	572
Total assets		**23,321**	23,745	22,456	**4,271**	4,217	3,743
Current liabilities							
Trade and other payables	17	**2,968**	3,340	3,164	**130**	136	137
Contract liabilities	18	**445**	1,157	682	**1**	1	1
Provisions	20	**86**	92	42	**19**	16	15
Other financial liabilities	21	**62**	13	37	**–**	–	–
Current tax payable		**153**	159	190	**58**	50	48
Interest-bearing borrowings	23	**1,862**	1,572	2,126	**–**	–	–
		5,576	6,333	6,241	**208**	203	201
Net current assets		**748**	2,159	1,487	**791**	667	371

(S$ million)	Note	Group December 31, 2018	Group December 31, 2017	Group January 1, 2017	Company December 31, 2018	Company December 31, 2017	Company January 1, 2017
Non-current liabilities							
Deferred tax liabilities	13	**425**	428	402	**50**	53	60
Other long-term payables	17	**237**	256	229	**268**	275	269
Provisions	20	**163**	105	92	**16**	16	11
Other financial liabilities	21	**43**	54	257	**–**	–	–
Retirement benefit obligations	22	**5**	4	7	**–**	–	–
Interest-bearing borrowings	23	**8,870**	8,275	7,096	**–**	–	–
Contract liabilities	18	**64**	116	271	**30**	13	14
		9,807	9,238	8,354	**364**	357	354
Total liabilities		**15,383**	15,571	14,595	**572**	560	555
Net assets		**7,938**	8,174	7,861	**3,699**	3,657	3,188
Equity attributable to owners of the Company:							
Share capital	24	**566**	566	566	**566**	566	566
Other reserves	25	**(248)**	(85)	(62)	**(7)**	2	(7)
Revenue reserve		**5,669**	5,460	5,209	**2,339**	2,086	1,826
		5,987	5,941	5,713	**2,898**	2,654	2,385
Perpetual securities	26	**801**	1,003	803	**801**	1,003	803
		6,788	6,944	6,516	**3,699**	3,657	3,188
Non-controlling interests	32	**1,150**	1,230	1,345	**–**	–	–
Total equity		**7,938**	8,174	7,861	**3,699**	3,657	3,188

The accompanying notes form an integral part of these financial statements.

Consolidated Income Statement
Year ended December 31, 2018

(S$ million)	Note	Group 2018	Group 2017
Turnover	28	**11,689**	9,026
Cost of sales		**(10,769)**	(7,791)
Gross profit		**920**	1,235
General and administrative expenses		**(408)**	(420)
Other operating income		**107**	75
Non-operating income		**50**	74
Non-operating expenses		**(2)**	(44)
Finance income	29	**87**	54
Finance costs	29	**(508)**	(527)
Share of results of associates and joint ventures, net of tax		**174**	164
Profit before tax		**420**	611
Tax expense	30	**(88)**	(118)
Profit for the year	31	**332**	493
Profit attributable to:			
Owners of the Company		**347**	383
Non-controlling interests		**(15)**	110
Profit for the year		**332**	493
Earnings per share (cents):	33		
Basic		**16.98**	19.06
Diluted		**16.87**	18.89

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income
Year ended December 31, 2018

(S$ million)	Note	Group 2018	Group 2017
Profit for the year		**332**	493
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(160)**	(139)
Exchange differences on monetary items forming part of net investment in foreign operation		**(1)**	(6)
Net change in fair value of cash flow hedges		**65**	44
Net change in fair value of cash flow hedges reclassified to profit or loss		**(167)**	(17)
Net change in fair value of available-for-sale financial assets		**–**	38
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		**–**	(33)
Realisation of reserve upon liquidation / disposal of subsidiaries		**19**	(16)
Realisation of reserve upon disposal of assets held for sale		**–**	(20)
Share of other comprehensive income of associates and joint ventures		**31**	54
		(213)	(95)
Items that may not be reclassified subsequently to profit or loss:			
Defined benefit plan actuarial gains and losses		**(4)**	3
Net change in fair value of financial assets at fair value through other comprehensive income		**(4)**	–
Other comprehensive income for the year, net of tax	27	**(221)**	(92)
Total comprehensive income for the year		**111**	401
Total comprehensive income attributable to:			
Owners of the Company		**159**	320
Non-controlling interests		**(48)**	81
Total comprehensive income for the year		**111**	401

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended December 31, 2018

Group	Attributable to owners of the Company													
(S$ million)	Share capital	Reserve for own shares	Currency translation reserve	Capital reserve	Merger reserve	Share-based payments reserve	Fair value reserve	Hedging reserve	Revenue reserve	Total	Perpetual securities	Total	Non-controlling interests	Total equity
Balance at January 1, 2018	566	*	(265)	160	29	(9)	27	(27)	5,460	5,941	1,003	6,944	1,230	8,174
Adjustment on initial application of SFRS(I) 9, net of tax (Note 46)	–	–	–	–	–	–	*	–	(13)	(13)	–	(13)	(1)	(14)
Adjusted balance at January 1, 2018	566	*	(265)	160	29	(9)	27	(27)	5,447	5,928	1,003	6,931	1,229	8,160
Total comprehensive income for the year														
Profit for the year	–	–	–	–	–	–	–	–	347	347	–	347	(15)	332
Other comprehensive income														
Foreign currency translation differences for foreign operations	–	–	(155)	–	–	–	–	–	–	(155)	–	(155)	(5)	(160)
Exchange differences on monetary items forming part of net investment in foreign operation	–	–	(1)	–	–	–	–	–	–	(1)	–	(1)	–	(1)
Net change in fair value of cash flow hedges	–	–	–	–	–	–	–	82	–	82	–	82	(17)	65
Net change in fair value of cash flow hedges reclassified to profit or loss	–	–	–	–	–	–	–	(169)	–	(169)	–	(169)	2	(167)
Net change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	–	–	–	–	–	(4)	(4)
Realisation of reserve upon disposal / liquidation of subsidiaries	–	–	27	2	–	–	–	–	*	29	–	29	(10)	19
Reclassification of reserve upon disposal / liquidation of other financial asset	–	–	–	–	–	–	7	–	(7)	–	–	–	–	–
Defined benefit plan actuarial gains and losses	–	–	–	–	–	–	–	–	(4)	(4)	–	(4)	*	(4)
Share of other comprehensive income of associates and joint ventures	–	–	3	–	–	–	–	27	*	30	–	30	1	31
Total other comprehensive income for the year	–	–	(126)	2	–	–	7	(60)	(11)	(188)	–	(188)	(33)	(221)
Total comprehensive income for the year	–	–	(126)	2	–	–	7	(60)	336	159	–	159	(48)	111
Transactions with owners of the Company, recognised directly in equity														
Contribution by non-controlling interests	–	–	*	(6)	–	–	–	–	*	(6)	–	(6)	24	18
Share-based payments	–	–	–	(1)	–	11	–	–	–	10	–	10	1	11
Purchase of treasury shares	–	(17)	–	*	–	–	–	–	–	(17)	–	(17)	–	(17)
Treasury shares transferred to employees	–	8	–	1	–	(9)	–	–	–	–	–	–	–	–
Treasury shares of a subsidiary	–	–	–	–	–	(1)	–	–	–	(1)	–	(1)	1	–
Acquisition of non-controlling interests	–	–	1	27	–	–	–	–	–	28	–	28	(28)	–
Perpetual securities distribution paid	–	–	–	–	–	–	–	–	–	–	(245)	(245)	–	(245)
Accrued perpetual securities distribution (Note 26)	–	–	–	–	–	–	–	–	(43)	(43)	43	–	–	–
Dividend paid to owners (Note 34)	–	–	–	–	–	–	–	–	(71)	(71)	–	(71)	–	(71)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(29)	(29)
Unclaimed dividends	–	–	–	–	–	–	–	–	*	*	–	*	–	*
Total transactions with owners	–	(9)	1	21	–	1	–	–	(114)	(100)	(202)	(302)	(31)	(333)
At December 31, 2018	566	(9)	(390)	183	29	(8)	34	(87)	5,669	5,987	801	6,788	1,150	7,938

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended December 31, 2018

Group	Attributable to owners of the Company													
(S$ million)	Share capital	Reserve for own shares	Currency translation reserve	Capital reserve	Merger reserve	Share-based payments reserve	Fair value reserve	Hedging reserve	Revenue reserve	Total	Perpetual securities	Total	Non-controlling interests	Total equity
Balance at January 1, 2017	566	(5)	(124)	109	29	(14)	21	(78)	5,209	5,713	803	6,516	1,345	7,861
Total comprehensive income for the year														
Profit for the year	–	–	–	–	–	–	–	–	383	383	–	383	110	493
Other comprehensive income														
Foreign currency translation differences for foreign operations	–	–	(119)	–	–	–	–	–	–	(119)	–	(119)	(20)	(139)
Exchange differences on monetary items forming part of net investment in foreign operation	–	–	(6)	–	–	–	–	–	–	(6)	–	(6)	–	(6)
Net change in fair value of cash flow hedges	–	–	–	–	–	–	–	32	–	32	–	32	12	44
Net change in fair value of cash flow hedges reclassified to profit or loss	–	–	–	–	–	–	–	(18)	–	(18)	–	(18)	1	(17)
Net change in fair value of available-for-sale financial assets	–	–	–	–	–	–	26	–	–	26	–	26	12	38
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	–	–	–	–	–	–	(20)	–	–	(20)	–	(20)	(13)	(33)
Realisation of reserve upon disposal / liquidation of subsidiaries	–	–	(4)	–	–	–	–	–	–	(4)	–	(4)	(12)	(16)
Realisation of reserve upon disposal of assets held for sale	–	–	(12)	(15)	–	–	–	–	15	(12)	–	(12)	(8)	(20)
Defined benefit plan actuarial gains and losses	–	–	–	–	–	–	–	–	3	3	–	3	–	3
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	–	–	37	18	55	–	55	(1)	54
Total other comprehensive income for the year	–	–	(141)	(15)	–	–	6	51	36	(63)	–	(63)	(29)	(92)
Total comprehensive income for the year	–	–	(141)	(15)	–	–	6	51	419	320	–	320	81	401
Transactions with owners of the Company, recognised directly in equity														
Contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	*	*
Issue of perpetual bonds	–	–	–	–	–	–	–	–	–	–	199	199	–	199
Share-based payments	–	–	–	–	–	15	–	–	–	15	–	15	2	17
Purchase of treasury shares	–	(4)	–	–	–	–	–	–	–	(4)	–	(4)	–	(4)
Treasury shares transferred to employees	–	9	–	–	–	(9)	–	–	–	–	–	–	–	–
Treasury shares of a subsidiary	–	–	–	(2)	–	(1)	–	–	–	(3)	–	(3)	(2)	(5)
Acquisition of non-controlling interests	–	–	–	(148)	–	–	–	–	–	(148)	–	(148)	(159)	(307)
Extinguishment of put liability to acquire non-controlling interests (Note 21)	–	–	–	216	–	–	–	–	–	216	–	216	–	216
Perpetual securities distribution paid	–	–	–	–	–	–	–	–	–	–	(42)	(42)	–	(42)
Accrued perpetual securities distribution (Note 26)	–	–	–	–	–	–	–	–	(43)	(43)	43	–	–	–
Dividend paid to owners (Note 34)	–	–	–	–	–	–	–	–	(125)	(125)	–	(125)	–	(125)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(37)	(37)
Unclaimed dividends	–	–	–	–	–	–	–	–	*	*	–	*	–	*
Total transactions with owners	–	5	–	66	–	5	–	–	(168)	(92)	200	108	(196)	(88)
At December 31, 2017	566	*	(265)	160	29	(9)	27	(27)	5,460	5,941	1,003	6,944	1,230	8,174

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Year ended December 31, 2018

(S$ million)	Group 2018	Group 2017
Cash flows from operating activities		
Profit for the year	**332**	493
Adjustments for:		
Dividend	*****	*
Finance income	**(87)**	(54)
Finance costs	**508**	527
Depreciation and amortisation	**595**	571
Share of results of associates and joint ventures, net of tax	**(174)**	(164)
Gain on disposal of property, plant and equipment and other financial assets	**(8)**	(20)
(Gain) / Loss on disposal of intangible assets	*****	*
Gain on disposal of joint venture and associate	**(18)**	–
Gain on disposal of investment held for sale	**–**	(47)
Gain on disposal and liquidation of investments in subsidiaries	**(11)**	(5)
Gain on disposal of business	**(15)**	–
Changes in fair value of financial instruments	**(15)**	5
Equity settled share-based compensation expenses	**11**	17
Allowance made for impairment loss in value of assets and assets written off (net)	**16**	31
Negative goodwill	*****	*
Allowance / (Write-back) of doubtful debts and bad debts (net)	**3**	(16)
Provision for fines	**25**	25
Assumption of liabilities on behalf of a joint venture	**–**	11
Impairment of goodwill	**1**	26
Impairment of investment in associates	**–**	4
Contract costs written back (net)	**–**	(20)
Inventories (written back) / written down and allowance for stock obsolescence (net)	**(1)**	10
Tax expense (Note 30)	**88**	118
Operating profit before working capital changes	**1,250**	1,512
Changes in working capital:		
Inventories	**(9)**	295
Receivables (Note (c))	**(1,216)**	(810)
Payables	**(215)**	(527)
Contract costs	**2,160**	139
Contract assets	**(361)**	(208)
Contract liabilities	**(748)**	320
	861	721
Tax paid	**(122)**	(70)
Net cash from operating activities	**739**	651

The accompanying notes form an integral part of these financial statements.

(S$ million)	Group 2018	Group 2017
Cash flows from investing activities		
Dividend received	**167**	266
Interest received	**74**	41
Proceeds from disposal of interests in subsidiaries, net of cash disposed	**73**	–
Proceeds from divestment of investments / asset held for sale	**–**	206
Proceeds from sale of property, plant and equipment	**11**	18
Proceeds from sale of intangible assets	*****	*
Proceeds from disposal of other financial assets and business	**315**	195
Proceeds from disposal of joint ventures / associate	**66**	53
Loan repayment from related parties	**25**	76
Loan to related parties	**–**	*
Non-trade balances with related corporations, net of repayment	**–**	(16)
Acquisition of subsidiaries, net of cash acquired	**(426)**	(3)
Acquisition of additional investments in joint ventures and associates	**(85)**	(15)
Acquisition of other financial assets	**(310)**	(166)
Purchase of property, plant and equipment and investment properties (Note (a))	**(1,107)**	(736)
Purchase of intangible assets (Note (b))	**(20)**	(11)
Net cash used in investing activities	**(1,217)**	(92)

(S$ million)	Group 2018	Group 2017
Cash flows from financing activities		
Proceeds from share issued to non-controlling interests of subsidiaries	**25**	–
Proceeds from share options exercised with issue of treasury shares	*****	–
Proceeds from share options exercised with issue of treasury shares of a subsidiary	**1**	*
Purchase of treasury shares	**(17)**	(4)
Purchase of treasury shares by a subsidiary	**(1)**	(6)
Proceeds from issue of perpetual securities, net of transaction costs	**–**	200
Proceeds from borrowings	**3,011**	3,206
Repayment of borrowings	**(2,156)**	(2,427)
Payment on finance leases	**–**	(1)
Acquisition of non-controlling interests	**(292)**	(10)
Dividends paid to owners of the Company	**(71)**	(125)
Dividends paid to non-controlling interests of subsidiaries	**(29)**	(37)
Receipt in restricted cash held as collateral	**4**	6
Perpetual securities distribution paid	**(245)**	(42)
Unclaimed dividends	*****	*
Interest paid	**(486)**	(484)
Net cash (used in) / from financing activities	**(256)**	276
Net (decrease) / increase in cash and cash equivalents	**(734)**	835
Cash and cash equivalents at beginning of the year	**2,682**	1,855
Effect of exchange rate changes on balances held in foreign currency	**(25)**	(8)
Cash and cash equivalents at end of the year (Note 16)	**1,923**	2,682

a. During the year, the Group acquired property, plant and equipment with an aggregate cost of S$1,146 million (2017: S$676 million) of which S$nil (2017: S$1 million) relates to non-cash expenditures which have been capitalised during the year and S$4 million (2017: S$21 million) relates to provision for restoration costs as disclosed in Note 20. Included in the Group's trade and other payables is an amount of S$167 million (2017: S$108 million) relating to accrued capital expenditure.

b. During the year, the Group acquired intangible assets with an aggregate cost of S$20 million (2017: S$13 million) of which S$nil (2017: S$2 million) was acquired by means of finance lease.

c. The increase in receivables included an amount of S$191 million (2017: S$431 million) of service concession receivables from the Myingyan and Sirajganj Unit 4 power projects which was recognised in accordance with SFRS(I) INT 12 accounting guidelines. The receivables will be collected over the period of the concession contracts from the time the power plants commence commercial operations.

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

Year ended December 31, 2018

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on March 4, 2019.

1. Domicile and Activities

Sembcorp Industries Ltd (the "Company") is a company incorporated in the Republic of Singapore and has its registered office at 30 Hill Street #05-04, Singapore 179360.

The Company's immediate and ultimate holding company is Temasek Holdings (Private) Limited, a company incorporated in the Republic of Singapore.

The financial statements comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associates, joint ventures and joint operations.

The principal activities of the Company include:

a. investment holding, as well as the corporate headquarter which gives strategic direction and provides management services to its subsidiaries; and

b. production and supply of utilities services, terminalling and storage of petroleum products and chemicals.

The principal activities of key subsidiaries are as follows:

i. Utilities
The Utilities segment's principal activities are in the provision of energy and water to industrial, commercial and municipal customers. Key activities in the energy sector include power generation, process steam production, as well as natural gas importation. In the water sector, the business offers wastewater treatment as well as the production of reclaimed, desalinated and potable water and water for industrial use. In addition, the business also provides on-site logistics, solid waste management and specialised project management, engineering, and procurement services;

ii. Marine
The Marine segment focuses principally on providing integrated solutions for the offshore and marine industry. Key capabilities include rigs & floaters; repairs & upgrades; offshore platforms and specialised shipbuilding;

iii. Urban Development
The Urban Development segment owns, develops, markets and manages integrated urban developments comprising industrial parks as well as business, commercial and residential space in Asia; and

iv. Others / Corporate
The Others / Corporate segment comprises businesses mainly relating to minting, design and construction activities, offshore engineering and others.

2. Summary of Significant Accounting Policies

a. Basis of Preparation

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS). SFRS(I) are issued by the Accounting Standards Council, which comprise standards and interpretations that are equivalent to IFRSs issued by the International Accounting Standards Board.

All references to SFRS(I) and IFRS are subsequently referred to as SFRS(I) in these financial statements unless otherwise specified.

These are the Group's first financial statements prepared in accordance with SFRS(I), and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* and has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial positions of the Group and Company, and financial performance and cash flows of the Group is provided in Note 46.

The financial statements are presented in Singapore dollar which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest million unless otherwise stated. '*' denotes financial information that is less than S$1 million. The financial statements have been prepared on the historical cost basis except as otherwise described in the accounting policies below.

The preparation of the financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is discussed in Note 43.

The accounting policies set out below have been applied consistently by Group entities to all periods presented in these financial statements and in preparing the opening SFRS(I) balance sheets as at January 1, 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

b. Consolidation

i. Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Acquisitions from January 1, 2017

Deferred consideration comprises obligations to pay specific amounts at future dates. Deferred consideration is recognised and measured at fair value at the acquisition date and included in the consideration transferred. The unwinding of any interest element of deferred consideration is recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date. Subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Acquisitions before January 1, 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date transition to SFRS(I), i.e. January 1, 2017. Goodwill arising from acquisitions before January 1, 2017 has been carried forward from the previous FRS framework as at the date of transition, as follows:

Acquisitions between January 1, 2004 and December 31, 2009

For acquisitions between January 1, 2004 and December 31, 2009, business combinations are accounted for using the purchase method, upon the adoption of FRS 103. Under the purchase method, the cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition.

Acquisitions prior to January 1, 2004

Prior to January 1, 2004, business combinations were accounted for either by the purchase method, or if they were between entities under common control, by the historical cost method similar to the pooling-of-interest method.

ii. Put Option with Non-controlling Interests

When an entity within the Group writes a put option with the non-controlling shareholders as part of the acquisition of a subsidiary for settlement in cash or in another financial asset, a put liability is recognised for the present value of the exercise price of the option. This creates an obligation or potential obligation for the entity to purchase its subsidiary's equity instruments (constitutes the Group's own equity in the consolidated financial statements) for cash or another financial asset.

When the non-controlling shareholders still have present access to the returns associated with the underlying ownership interests, the Group has chosen an accounting policy that the non-controlling shareholders continue to be recognised. Therefore, the present value of the option is recognised in equity. Subsequent to initial recognition of the financial liability, changes in the carrying amount of the financial liability is recognised within equity.

If the put option expires unexercised, then the charge to equity will be reversed and the financial liability will be derecognised. If the put option is exercised, then the charge to equity will be reversed and the financial liability will be derecognised and the acquisition accounting will be applied.

At the entity's level, the put option shall be accounted as embedded derivatives.

2. Summary of Significant Accounting Policies *(cont'd)*

b. Consolidation *(cont'd)*

iii. Non-controlling Interests

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I).

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their own capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of net assets of the subsidiary.

Prior to January 1, 2010, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

iv. Subsidiaries

Subsidiaries are those entities that are controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary even if this results in the non-controlling interests having a deficit balance.

v. Acquisitions from Entities under Common Control

Business combinations that involve entities under common control are excluded from the scope of SFRS(I) 3. Such combinations are accounted at historical cost in a manner similar to the pooling-of-interest method, in the preparation of the consolidated financial statements. Under this method of accounting, the difference between the value of the share capital issued and the value of shares received is taken to the merger reserve.

vi. Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or financial asset at fair value through Other Comprehensive Income (OCI) depending on the level of influence retained.

vii. Associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has significant influence over another entity. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Associates are accounted for using the equity method of accounting from the date that significant influence commences until the date that significant influence ceases and are recognised initially at cost. The cost of investments includes transaction costs. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment (including any other unsecured receivables, that in substance, form part of the Group's net investment in the associate) is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or made payments on its behalf to satisfy obligations of the associate that the Group has guaranteed or otherwise committed on behalf of.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition. Where the audited financial statements are not yet available for the purpose of statutory filing, the share of results is arrived at from management financial statements.

viii. Joint Arrangements

Joint Ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has joint control over the entity.

Joint ventures are accounted for using the equity method of accounting from the date that joint control commences until the date that joint control ceases.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition. Where the audited financial statements are not yet available for the purpose of statutory filing, the share of results is arrived at from management financial statements.

Joint Operations

A joint operation is an arrangement in which the Group has joint control whereby the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement. The Group accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

ix. Impairment for Associates and Joint Ventures

An impairment loss in respect of an associate or joint venture shall be recognised if, and only if, the recoverable amount of the (associate or joint venture) investment is less than the carrying amount. An impairment loss is recognised in the profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

2. Summary of Significant Accounting Policies *(cont'd)*

b. Consolidation *(cont'd)*

x. Transactions Eliminated on Consolidation

All intra-group balances, transactions, and unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

xi. Accounting for Subsidiaries, Associates and Joint Ventures

Investments in subsidiaries, associates and joint ventures are measured in the Company's balance sheet at cost less accumulated impairment losses.

c. Foreign Currencies

i. Foreign Currency Transactions and Balances

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at foreign exchange rates at the dates of the transactions. At each reporting date:

- Foreign currency monetary assets and liabilities are retranslated to the functional currency using foreign exchange rates at that date.
- Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using exchange rate at the date of the transaction.
- Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at exchange rates at the date the fair value was determined.

Foreign currency differences arising from the settlement or from translation of monetary items are recognised in profit or loss.

Foreign currency differences arising on retranslation are recognised directly in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of:

- Equity instruments designated as fair value through other comprehensive income (FVOCI) (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss) (2017: available for sale equity instruments);
- A financial liability designated as a hedge of a net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the hedge is effective.

ii. Foreign Operations

The results and financial positions of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at foreign exchange rates ruling at the date of the balance sheet.
- Revenues and expenses are translated at average foreign exchange rates.
- All resulting foreign exchange differences are taken to the foreign currency translation reserve in other comprehensive income.

2. Summary of Significant Accounting Policies *(cont'd)*

c. Foreign Currencies *(cont'd)*

ii. Foreign Operations *(cont'd)*

Goodwill (except those relating to acquisitions of foreign operations prior to January 1, 2004) and fair value adjustments arising from the acquisition of foreign operations are translated to the presentation currency for consolidation at the rates of exchange ruling at the balance sheet date. Goodwill arising from the acquisition of foreign operations prior to January 1, 2004 is translated at foreign exchange rates ruling at the dates of the transactions.

On disposal, accumulated foreign currency translation differences are recognised in the consolidated income statement as part of the gain or loss on disposal.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (currency translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

iii. Net Investment in a Foreign Operation

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's profit or loss. Such exchange differences are reclassified to the foreign currency translation reserve in the consolidated statement of comprehensive income and are released to the consolidated income statement upon disposal of the investment as part of the gain or loss on disposal.

d. Property, Plant and Equipment

i. Owned Assets

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Cost may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

2. Summary of Significant Accounting Policies *(cont'd)*

d. Property, Plant and Equipment *(cont'd)*

ii. Subsequent Expenditure

Subsequent expenditure relating to property, plant and equipment is recognised in the carrying amount of the asset when it is probable that future economic benefits will flow to the Group and its costs can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised as an expense when incurred.

Certain items of property, plant and equipment are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the costs of the next overhaul and are separately depreciated in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss.

iii. Disposals

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

iv. Leasehold Lands

Operating leasehold lands have been capitalised as part of property, plant and equipment and is depreciated over the lease period or over a period in which the future economic benefits embodied in the assets are expected to be consumed.

v. Finance Lease Assets

Finance leases are those leasing agreements with terms of which the Group assumes substantially all the risks and rewards of ownership. Property, plant and equipment acquired by way of such leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss.

Capitalised leased assets are depreciated over the shorter of the economic useful life of the asset or the lease term.

vi. Provision for Restoration Costs

A provision is recognised for the costs expected to be incurred to dismantle, remove and restore the asset upon expiry of the lease agreement. The estimated costs form part of the cost of the property, plant and equipment and are depreciated over the useful life of the asset.

vii. Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is recognised as an expense in profit or loss on a straight-line basis over their estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

2. Summary of Significant Accounting Policies *(cont'd)*

d. Property, Plant and Equipment *(cont'd)*

vii. Depreciation *(cont'd)*

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal.

The estimated useful lives for the current and comparative years are as follows:

Leasehold land and wet berthage	Lease period of 3 to 60 years
Buildings	3 to 50 years
Improvements to premises	3 to 30 years
Quays and dry docks	6 to 60 years
Infrastructure	8 to 60 years
Plant and machinery	3 to 30 years
Marine vessels	7 to 25 years
Tools and workshop equipment	3 to 10 years
Furniture, fittings and office equipment	1 to 10 years
Motor vehicles	2 to 10 years

The assets' depreciation methods, useful lives and residual values, if not insignificant, are reviewed annually and adjusted if appropriate.

No depreciation is provided on freehold land and capital work-in-progress.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

e. Investment Properties

Investment properties are properties held for long-term rental yields or for capital appreciation, or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives ranging from 20 to 60 years or the lease period of 15 to 16 years. The assets' depreciation methods, useful lives and residual values are reviewed, if not insignificant, annually, and adjusted if appropriate. No depreciation is provided on the freehold land.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as additions when it increases the future economic benefits, embodied in the specific asset to which it relates, and its costs can be measured reliably. The carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvements is recognised as an expense when incurred.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

2. Summary of Significant Accounting Policies *(cont'd)*

f. Intangible Assets

i. Goodwill

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, less the net amount recognised (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a negative goodwill is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures, respectively. An impairment loss on such investments is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investments.

Goodwill is tested for impairment on an annual basis in accordance with Note 2(l).

ii. Goodwill / Negative Goodwill Previously Written Off Against Reserves

Goodwill that has previously been taken to reserves is not taken to profit or loss when (i) the business is disposed of or discontinued or (ii) the goodwill is impaired. Similarly, negative goodwill that has previously been taken to reserves is not taken to profit or loss when the business is disposed of or discontinued.

iii. Intellectual Property Rights

Intellectual property rights are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 10 years.

iv. Service Concession Arrangements

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition by reference to the fair value of the services provided. Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalised borrowing costs, less accumulated amortisation and accumulated impairment losses.

The estimated useful life of an intangible asset in a service concession arrangement is the period when the Group has a right to charge the public for the usage of the infrastructure to the end of the concession period.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of 25 to 30 years.

v. Long-term Contracts

Long-term revenue and supplier contracts are fair valued using cash flow projections over the contractual period of 1 to 30 years. Amortisation is recognised in profit or loss on a straight-line basis over the contractual period.

vi. Water Rights

Water rights are perpetual in nature. Water rights are measured at cost less accumulated impairment losses. Water rights are tested for impairment annually in accordance with Note 2(l).

2. Summary of Significant Accounting Policies *(cont'd)*

f. Intangible Assets *(cont'd)*

vii. Other Intangible Assets

Other intangible assets with a finite life are measured at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally generated goodwill is recognised in profit or loss as an expense as incurred. Other intangible assets are amortised on a straight-line basis from the date the asset is available for use and over its estimated useful lives ranging from 3 to 30 years.

viii. Subsequent Expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates and its costs can be measured reliably. All other expenditures are expensed as incurred.

ix. Amortisation

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

g. Financial Assets

i. Recognition and Initial Measurement

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instruments.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and Subsequent Measurement

Policies applicable from January 1, 2018:

Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial Assets at Amortised Costs

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity Investments at FVOCI

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect on initial recognition to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. The Group's equity investments are classified as FVOCI.

2. Summary of Significant Accounting Policies *(cont'd)*
g. Financial Assets *(cont'd)*
ii. Classification and Subsequent Measurement *(cont'd)*
Policies applicable from January 1, 2018: *(cont'd)*

Financial Assets at FVTPL
All other financial assets not classified as measured at amortised costs or FVOCI as described above are measured at FVTPL. This includes derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business Model Assessment
The Group makes an assessment of the objective of the business model in which an asset is held because this best reflects the way the business is managed and information is provided to Management. The information considered includes:

- the stated policies and objectives for the respective financial assets and the operation of those policies in practice;
- how the performance of the respective financial assets is evaluated and reported to the Group's Management;
- the risks that affect the performance of the business model and how those risks are managed; and
- the frequency, volume and timing of disposals of investments in prior periods, the reasons for such disposals and its expectations about future activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest
For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial assets contains a contractual term that could change the timing and amount of contractual cash flows that would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- prepayment features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent Measurement and Gains and Losses
Financial Assets at FVTPL
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note 2(i) for derivatives designated as hedging instruments.

Financial Assets at Amortised Costs
The assets are subsequently measured at amortised costs using the effective interest method. The amortised costs is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity Investment at FVOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Policies applicable before January 1, 2018:
The Group classifies non-derivative financial assets into the following categories: financial assets at FVTPL; held to maturity investments; loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets are acquired or held. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. The designation of financial assets at FVTPL is irrevocable.

Financial Assets at FVTPL
A financial asset is classified at FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at FVTPL if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at FVTPL are measured at fair value, and changes therein which takes into account any dividend income are recognised in profit or loss.

Financial assets designated at FVTPL comprise unquoted securities that otherwise would have been classified as available-for-sale.

Held to Maturity Investments
Where the Group has the positive intent and ability to hold investments to maturity, then such investments are recognised initially at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less impairment losses. During the year, the Group did not hold any investment in this category.

2. Summary of Significant Accounting Policies *(cont'd)*

g. Financial Assets *(cont'd)*

ii. Classification and Subsequent Measurement *(cont'd)*

Policies applicable from January 1, 2018: *(cont'd)*

Subsequent Measurement and Gains and Losses *(cont'd)*

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date for which they are classified as non-current assets. Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment losses. Receivables with a short duration are not discounted. Loans and receivables are included in trade and other receivables in the balance sheet.

Loans and receivables comprise cash and cash equivalents, trade and other receivables, including service concession receivables and excluding prepayments and advances to suppliers.

Available-for-Sale Financial Assets

Other financial assets held by the Group that are either designated in this category or not classified in any other category, are classified as being available-for-sale. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. They are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences are recognised directly in other comprehensive income. When these investments are derecognised, the cumulative gain or loss previously recognised directly in other comprehensive income, or part thereof, is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Available-for-sale financial assets comprise equity shares, unit trusts and funds (including quoted mutual funds).

iii. Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its balance sheet, but retains either all or substantially all of its risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, the Group currently has a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

v. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand. Bank overdrafts are shown within interest-bearing borrowings in current liabilities on the balance sheet.

vi. Service Concession Arrangements

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash from or at the direction of the grantor for the construction or upgrade services provided, and the right to receive cash only depends on the passage of time. Such financial assets are measured at fair value upon initial recognition and classified as financial assets measured at amortised cost.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is recognised initially at the fair value of the consideration (see also Note 2(f)(iv)).

vii. Impairment

Policies applicable from January 1, 2018:

The Group recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortised costs; and
- contract assets (as defined in SFRS(I) 15).

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected credit life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified Approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets without a significant financing component. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General Approach

The Group applies the general approach to provide for ECLs on all the other financial assets (i.e. service concession receivables). Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without due costs or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If the credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

2. Summary of Significant Accounting Policies *(cont'd)*

g. Financial Assets *(cont'd)*

vii. Impairment *(cont'd)*

Policies applicable from January 1, 2018: *(cont'd)*

General Approach (cont'd)

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset remains outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired Financial Assets

At each reporting date, the Group assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- breach of contract such as a default or past due outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend;
- the restructuring of a loan or advanced by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation or is having significant financial difficulty; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of loss allowance for ECLs in the balance sheet

Loss allowance for financial assets measured at amortised costs and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

2. Summary of Significant Accounting Policies *(cont'd)*

g. Financial Assets *(cont'd)*

vii. Impairment *(cont'd)*

Policies applicable before January 1, 2018:

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the excess of acquisition cost less any impairment loss on that financial asset previously recognised in profit or loss, over its current fair value.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

2. Summary of Significant Accounting Policies *(cont'd)*

g. Financial Assets *(cont'd)*

vii. Impairment *(cont'd)*

Reversals of Impairment

An impairment loss in respect of a held-to-maturity investment security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. The decrease in impairment loss is reversed through profit or loss.

An impairment loss once recognised in profit or loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. Any subsequent increase in fair value of such assets is recognised directly in other comprehensive income. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

h. Derivatives

Derivatives are used to manage exposures to foreign exchange, interest rate and commodity price risks arising from operational, financing and investment activities. Derivatives are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as FVTPL.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are re-measured at fair value and any changes in its fair value are recognised immediately in profit or loss. A derivative is classified as an equity instrument if it can be settled only by the Group or Group entities receiving or delivering a fixed number of its own equity instruments for a fixed amount of cash or another financial asset, with no subsequent re-measurement. However, where derivatives qualify for hedge accounting, recognition of any resultant changes in the fair value depends on the nature of the item being hedged as described in Note 2(i).

i. Hedging Activities

At inception or upon reassessment of the arrangement, the Group documents, at the inception of the transaction, the relationship between the hedging instruments and hedged items, together with the methods that will be used to assess the effectiveness of the hedge relationship as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, the economic relationship between the hedged item and the hedging instrument, including whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

Hedging relationships designated under FRS39 that were still existing as at December 31, 2017 are treated as continuing hedges and hedge documentations were aligned accordingly to the requirements of SFRS(I) 9.

i. Fair Value Hedges

Where a derivative hedges the changes in fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), any gain or loss on the hedging instrument is recognised in profit or loss. The hedged item is also measured at fair value in respect of the risk being hedged, with changes recognised in profit or loss.

2. Summary of Significant Accounting Policies *(cont'd)*

i. Hedging Activities *(cont'd)*

ii. Cash Flow Hedges

Where a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised directly in other comprehensive income and presented in the hedging reserve in equity. The ineffective portion of changes in the fair values of the derivative is recognised immediately in profit or loss.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is reclassified from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated changes in fair value that were recognised directly in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

When the hedged item is a non-financial item, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

iii. Hedge of Monetary Assets and Liabilities

Where a derivative is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any changes in fair value on the hedging instrument is recognised in profit or loss.

iv. Hedge of a Net Investment in Foreign Operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in profit or loss. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

2. Summary of Significant Accounting Policies *(cont'd)*

j. Inventories

i. Finished Goods and Spares

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Costs of inventories also include the transfer from other comprehensive income, if any, of gains or losses on qualifying cash flow hedges relating to purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

ii. Development Properties

Development properties are those properties which are held with the intention of development and sale in the ordinary course of business. They are stated at the lower of cost and net realisable value.

The cost of properties under development comprise specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

The aggregated costs incurred are presented as development properties while advances received from customers are presented separately as contract liabilities.

k. Government Grants

Asset related grants are credited to a deferred asset grant account at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as "Other Income" on the straight-line basis over the estimated useful lives of the relevant assets.

Non-monetary government grants and assets received are valued at fair value or nominal amounts.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as "Other Income" on a systematic basis in the same periods in which the expenses are recognised.

2. Summary of Significant Accounting Policies *(cont'd)*

l. Impairment – Non-financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then, to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and as and when indicators of impairment occur.

i. Calculation of Recoverable Amount

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

ii. Reversals of Impairment

An impairment loss in respect of goodwill is not reversed, even if it relates to an impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or balance sheet date. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or joint venture may be impaired.

2. Summary of Significant Accounting Policies *(cont'd)*

m. Financial Liabilities

The Group initially recognises financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group classifies financial liabilities as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised interest-bearing borrowings, bank overdrafts, and trade and other payables and other long term payables (excludes deferred income, deferred grants, advance payments and long-term employee benefits).

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantively different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including non-cash transferred or liabilities assumed) is recognised in profit or loss.

n. Employee Benefits

i. Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset to the extent that the prepayment will lead to, for example, a reduction in future payment or a cash refund.

ii. Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each defined benefit plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

The discount rate is the yield at the reporting date on high quality bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefits expense in profit or loss.

2. Summary of Significant Accounting Policies *(cont'd)*

n. Employee Benefits *(cont'd)*

ii. Defined Benefit Plans *(cont'd)*

Where the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

iii. Long-term Employee Benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Long-term employee benefits are reported in other long-term payables.

iv. Short-term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related employment service is provided.

The amount expected to be paid is accrued when the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

v. Staff Retirement Benefits

Retirement benefits payable to certain categories of employees upon their retirement are provided for in the financial statements based on their entitlement under the staff retirement benefit plan or, in respect of unionised employees of a subsidiary who joined on or before December 31, 1988, based on an agreement with the union.

The Group's net obligation in respect of retirement benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected future salary increase and is discounted to its present value and the fair value of any related assets is deducted.

2. Summary of Significant Accounting Policies *(cont'd)*

n. Employee Benefits *(cont'd)*

vi. Equity and Equity-related Compensation Benefits

Performance Share Plan

The fair value of equity-related compensation is measured using the Monte Carlo simulation method as at the date of the grant. The method involves projecting future outcomes using statistical distributions of key random variables including the share prices and volatility of returns. This model takes into account the probability of achieving the performance conditions in the future.

The fair value of the compensation cost is measured at grant date and amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. In estimating the fair value of the compensation cost, market-based performance conditions are taken into account. From 2014 onwards, awards granted have both market-based and non-market-based performance conditions. The compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates, irrespective of whether this performance condition is satisfied.

The share-based payments reserve relating to the performance shares released is transferred to share capital when new shares are issued. When treasury shares are issued, the cost of treasury shares is transferred to share-based payments reserve.

Restricted Share Plan

Similar to the Performance Share Plan, the fair value of equity-related compensation is measured using the Monte Carlo simulation method as at the date of the grant. The method involves projecting future outcomes using statistical distributions of key random variables including the share prices and volatility of returns. This model takes into account the probability of achieving the performance conditions in the future.

For awards granted until 2017, the fair value of the compensation cost is measured at grant date and are then amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. Awards granted have non-market based performance conditions. The compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates.

At the balance sheet date, the Company revises its estimates of the number of performance-based restricted shares that the employees are expected to receive based on the achievement of non-market performance conditions and the number of shares ultimately given. It recognises the impact of the revision of the original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The share-based payments reserve relating to the restricted shares released is transferred to share capital when new shares are issued. When treasury shares are issued, the cost of treasury shares is transferred to share-based payments reserve.

In the Company's separate financial statements, the fair value of performance shares and restricted shares granted to employees of its subsidiaries is recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase in equity over the vesting period.

2. Summary of Significant Accounting Policies *(cont'd)*

n. Employee Benefits *(cont'd)*

vii. Cash-related Compensation Benefits

Sembcorp Challenge Bonus

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the share price of the Company. The Group recognises a provision when contractually obliged to pay or where there is a past practice that has created a constructive obligation to pay.

The compensation cost is measured at the fair value of the liability at each balance sheet date and spread over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the bonus. The liability takes into account the probability of achieving the performance conditions in the future. With effect from 2018, the liability takes into account the performance achieved for the year.

Until the liability is settled, the Group will re-measure the fair value of the liability at each balance sheet date and at the date of settlement with any changes in fair value recognised in profit or loss for the period.

o. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

p. Tax Expense

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to business combinations, or to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, joint ventures and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. Summary of Significant Accounting Policies *(cont'd)*

q. Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new ordinary shares and share options are deducted against the share capital account, net of any tax effects.

Where the Company's ordinary shares are repurchased (treasury shares), the consideration paid, excluding any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders and presented as reserve for own shares within equity, until they are cancelled, sold or reissued.

When treasury shares are cancelled, the cost of treasury shares is deducted against the share capital account, if the shares are purchased out of capital of the Company, or against the accumulated profits of the Company, if the shares are purchased out of profits of the Company.

When treasury shares are subsequently sold or reissued pursuant to the Share-based Incentive Plans, the cost of the treasury shares is reversed from the reserve for own shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related tax, is recognised as a change in equity of the Company. No gain or loss is recognised in profit or loss.

Preference shares are classified as equity if it is non-redeemable or redeemable only at the Company's option, and any dividends are discretionary. Discretionary dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders.

r. Perpetual Securities

The perpetual securities do not have a maturity date and the Company is able to elect to defer making a distribution, subject to the terms and conditions of the securities issue. Accordingly, the Company is not considered to have a contractual obligation to make principal repayments or distributions in respect of its perpetual securities issue and the perpetual securities are classified and presented as equity. Distributions are treated as dividends which will be directly debited from equity. Incremental costs directly attributable to the issuance of perpetual securities are deducted against the proceeds from the issue.

s. Dividends

Dividends on ordinary shares are recognised when they are approved for payments. Dividends on ordinary shares and redeemable preference share capital classified as equity are accounted for as movements in revenue reserve.

t. Revenue

Revenue is measured based on consideration specified in a contract with customer. The Group recognises revenue when it transfers control over a good or service to a customer.

i. Sale of Electricity, Utilities and Gases and Related Services

The sale of electricity, utilities and gas and the related services are determined to be a series of distinct goods satisfied over time. This is because the customers simultaneously receive and consume the benefits provided by the Group. Invoices are generated monthly based on the output delivered to the customers. The sales are made with a credit term of 30 days, typically, consistent with market practice.

Revenue from these sales are recognised based on price (including variable considerations) specified in the contracts. Variable considerations (e.g. off specification delivery) are reviewed and estimated monthly. A refund liability (included in provisions) is recognised for off specification delivery and outage, if any.

For certain contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year, contract revenue contains a financing component. If the financing component is significant, the consideration is adjusted for the time value of money of the contracts.

2. Summary of Significant Accounting Policies *(cont'd)*

t. Revenue *(cont'd)*

i. Sale of Electricity, Utilities and Gases and Related Services *(cont'd)*

Contract liability is recognised when advance from customers are received in relation to connection and capacity charges for delivery of utilities. The contract liability is transferred to profit or loss over the period stipulated in the contract.

If the payments received exceed the revenue recognised, a contact liability is recognised. If the Company has recognised revenue but not issued an invoice, the entitlement to the consideration is recognised as a contract asset if that entitlement is conditional on something other than the passage of time. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

ii. Construction of Ships and Rigs, Conversion, Infrastructure and Related Engineering Services

The Group builds specialised assets for customer through fixed price contracts. Revenue is recognised when the control over the specialised asset has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the asset over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

The specialised asset has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the specialised asset. The stage of completion is typically assessed by reference to either surveys of work performed (output method), or the cost incurred to date relative to total estimated cost (input method) depending on which method commensurate with the pattern of transfer of control to the customer. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

For certain contracts where the Group does not have enforceable right to payment, revenue is recognised only when the completed specialised asset is delivered to the customers and the customers have accepted it in accordance with the contract. On signing of the contract, customers are usually required to make an advance payment that is not refundable if the contract is cancelled. The advance payment is presented as contract liability.

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, the Group recognises a financing component using a discount rate that reflect this as a separate financing transaction with the customer at contract inception. If the period between transfer and payment is one year or less, the Group elects the practical expedient not to adjust for significant financing component.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Depending on the terms of the contract, the percentage of completion of each contract is assessed by reference to surveys of work performed, or by reference to the ratio of contract costs incurred till date and total estimated contract costs.

Certain contracts include standard warranty terms as guarantee on the performance of the asset. The warranty is recognised as a provision, based on estimated claims made from historical data, from known and expected warranty work and contractual obligation for further work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments received, a contract asset is recognised. If the payments received exceed the value of the goods transferred, a contract liability is recognised.

2. Summary of Significant Accounting Policies *(cont'd)*

t. Revenue *(cont'd)*

ii. Construction of Ships and Rigs, Conversion, Infrastructure and Related Engineering Services *(cont'd)*

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (e.g. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

iii. Repair and Related Engineering Services

Repair works are typically performed based on customer's specification and control is transferred progressively when the services are rendered. Revenue is recognised over time by reference to the progress towards completing the repair works. The stage of completion is typically assessed by reference to either surveys of work performed (output method), which is commensurate with the pattern of transfer of control to the customer. The related costs are recognised in profit or loss when they are incurred, unless they related to future performance obligation.

Invoices are generated based on the agreed billing milestone stipulated in the contracts or based on the amount certified by customers monthly.

Where the period between the satisfaction of a performance obligation and payment by a customer exceeds a year, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would reflect that of a separate financing transaction between the Group and its customer at contract inception. The Group has elected to apply the practical expedient not to adjust transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less.

For contracts with variable considerations (i.e. liquidated damages), revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for possibility of delays of the projects. The Group reviews the progress of the projects at each reporting date and updates the transaction price accordingly.

If the value of the construction services rendered exceeds payments received from the customer, a contract asset is recognised. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional. If the amount on invoices issued exceed the revenue recognised, a contract liability is recognised.

Certain contracts include standard warranty terms as guarantee on the performance of the asset. The warranty is recognised as a provision, based on estimated claims made from historical data, from known and expected warranty work and contractual obligation for further work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made.

iv. Service Concession Revenue

Revenue relating to construction services under a service concession arrangement is recognised over time, consistent with the Group's accounting policy on recognising revenue on construction contracts (see Note 2(t)(ii) above).

Operation or service revenue is recognised in the period in which the services are provided by the Group, consistent with the Group's accounting policy on recognising revenue on sale of electricity, utilities and gases and related services (see Note 2(t)(i) above). When the Group provides more than one service in a service concession arrangement, the consideration received is allocated with reference to the relative stand-alone selling prices of the services delivered.

2. Summary of Significant Accounting Policies *(cont'd)*

t. Revenue *(cont'd)*

v. Services

Waste management and environmental management services

For the waste management and environmental services, the customer simultaneously receives and consumes the benefits as they are being provided. Invoices are generated monthly.

Revenue is recognised over time as the services are provided. The stage of completion is determined based on the output method (time lapsed or quantity of waste collected) which commensurate with the pattern of transfer of provision of services to the customers. The related costs are recognised in profit or loss when they are incurred.

For all revenue contracts with customers, the Group accounts for modifications to the scope or price of a contract as separate contracts if the modification adds distinct goods or services at their stand-alone selling prices. For contract modifications that add distinct goods or services but not at their stand-alone selling prices, the Group combines the remaining performance consideration in the original contract with the consideration promised on the modification to create a new transaction price that is then allocated to all remaining performance obligations to be satisfied. For contract modifications that do not add distinct goods or services, the Group accounts for the modification as continuation of the original contract and recognises as a cumulative adjustment to revenue at the date of the modification.

u. Charter Hire and Rental Income

Charter hire and rental income receivable under operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of total rental income, over the term of the lease.

Contingent rentals are recognised as income in the accounting period in which they are earned.

v. Dividend and Finance Income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance income is recognised in profit or loss as it accrues, using the effective interest rate method. It includes interest income from non-current receivables.

w. Leases

The Group determines whether an arrangement is or contains a lease at inception.

At the inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

i. Operating Lease

When Entities within the Group are Lessees of an Operating Lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made.

When Entities within the Group are Lessors of an Operating Lease

Assets subject to operating leases are included in investment properties and are measured at cost less accumulated depreciation and impairment losses. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2. Summary of Significant Accounting Policies *(cont'd)*

w. Leases *(cont'd)*

ii. Finance Lease

When Entities within the Group are Lessors of a Finance Lease

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

x. Finance Costs

Finance costs comprise interest expense on borrowings, unwinding of the discounts on provision, amortisation of capitalised transaction costs, transaction costs written off and termination of interest rate swaps. Interest income, interest expense and similar charges are expensed in profit or loss in the period using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset. The interest component of finance lease payments is recognised in profit or loss using the effective interest method. Termination of interest rate swaps are recognised in profit or loss.

In calculating the interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the assets is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to gross basis.

y. Earnings per Share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company (excluding perpetual security holders) by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders (excluding perpetual security holders) and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise awards of share options, restricted shares and performance shares granted to employees.

z. Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's President & CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

2. Summary of Significant Accounting Policies *(cont'd)*

aa. Assets (or Disposal Groups) Held For Sale

Non-current assets (or disposal groups) are classified as assets held for sale and measured at the lower of carrying amount and fair value less costs to sell if they are expected to be recovered principally through a sale transaction rather than through continuing use.

Any impairment losses on initial classification and subsequent gains or losses on re-measurement are recognised in profit or loss. Subsequent increases in fair value less costs to sell are recognised in profit or loss (not exceeding the accumulated impairment loss that has been previously recognised).

ab. Financial Guarantee Contracts

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time as they become probable that the Group and Company will be required to make a payment under the guarantee. A provision is recognised based on the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

ac. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3. Property, Plant and Equipment

(S$ million)	Note	Leasehold and freehold land, wet berthage and buildings	Improvements to premises	Quays and dry docks	Infrastructure	Plant and machinery	Marine vessels	Tools and workshop equipment	Furniture, fittings and office equipment	Motor vehicles	Capital work-in-progress	Total
Group												
Cost / Valuation												
Balance at January 1, 2018		1,771	67	1,513	184	9,575	279	64	201	93	1,252	14,999
Translation adjustments		(11)	*	4	(6)	(456)	3	*	(1)	*	(12)	(479)
Additions		5	*	8	9	81	1	3	7	5	1,027	1,146
Reclassification		81	*	*	(34)	749	–	*	2	*	(798)	–
Transfer from inventory		–	–	–	–	8	–	–	–	–	–	8
Transfer to investment properties	4	(5)	–	–	–	–	–	–	–	–	–	(5)
Disposals / Write-offs		(5)	(1)	*	–	(33)	–	*	(2)	(2)	(4)	(47)
Transfer to assets held for sale	11	–	*	–	–	(36)	–	–	*	–	–	(36)
Acquisition of subsidiaries	(iv)	1	–	–	–	367	–	–	–	1	42	411
Disposal of subsidiaries		(11)	*	–	(7)	(7)	–	–	(3)	(6)	(1)	(35)
Balance at December 31, 2018		1,826	66	1,525	146	10,248	283	67	204	91	1,506	15,962
Accumulated Depreciation and Impairment Losses												
Balance at January 1, 2018		512	51	293	41	2,631	60	57	145	51	–	3,841
Translation adjustments		*	*	*	(2)	(49)	1	*	*	*	–	(50)
Depreciation for the year	31(a)	58	2	47	11	388	11	4	18	8	–	547
Transfer to investment properties	4	(2)	–	–	–	*	–	–	*	–	–	(2)
Disposals / Write-offs		(1)	(1)	*	–	(18)	–	*	(2)	(2)	–	(24)
Transfer to assets held for sale	11	–	*	–	–	(9)	–	–	*	–	–	(9)
Disposal of subsidiaries		(3)	*	–	(3)	(6)	–	–	(2)	(4)	–	(18)
Impairment losses	31(a)	*	–	–	–	*	5	–	–	*	–	5
Balance at December 31, 2018		564	52	340	47	2,937	77	61	159	53	–	4,290
Carrying Amounts												
At January 1, 2018		1,259	16	1,220	143	6,944	219	7	56	42	1,252	11,158
At December 31, 2018		1,262	14	1,185	99	7,311	206	6	45	38	1,506	11,672

3. Property, Plant and Equipment *(cont'd)*

(S$ million)	Note	Leasehold and freehold land, wet berthage and buildings	Improvements to premises	Quays and dry docks	Infrastructure	Plant and machinery	Marine vessels	Tools and workshop equipment	Furniture, fittings and office equipment	Motor vehicles	Capital work-in-progress	Total
Group												
Cost / Valuation												
Balance at January 1, 2017		1,600	58	1,229	167	8,360	293	60	196	89	2,520	14,572
Translation adjustments		(12)	–	3	(6)	(64)	(14)	–	(1)	–	(2)	(96)
Additions		21	2	–	19	26	–	3	8	6	591	676
Reclassification		171	7	284	4	1,384	–	1	5	–	(1,856)	–
Transfer to intangible assets	12	–	–	–	–	–	–	–	–	–	(1)	(1)
Transfer to investment properties	4	(4)	–	–	–	–	–	–	–	–	–	(4)
Disposals / Write-offs		(2)	–	(3)	–	(12)	–	–	(6)	(2)	–	(25)
Transfer to assets held for sale	11	–	–	–	–	(121)	–	–	–	–	–	(121)
Acquisition of a subsidiary	(v)	–	–	–	–	4	–	–	–	–	–	4
Disposal of subsidiaries		(3)	–	–	–	(2)	–	–	(1)	–	–	(6)
Balance at December 31, 2017		1,771	67	1,513	184	9,575	279	64	201	93	1,252	14,999
Accumulated Depreciation and Impairment Losses												
Balance at January 1, 2017		464	46	255	27	2,275	51	52	132	44	–	3,346
Translation adjustments		(5)	–	–	(2)	(8)	(2)	–	(1)	–	–	(18)
Depreciation for the year	31(a)	56	5	39	13	373	11	5	20	8	–	530
Transfer to investment properties	4	*	–	–	–	–	–	–	–	–	–	*
Disposals / Write-offs		(1)	–	(1)	–	(9)	–	–	(6)	(1)	–	(18)
Transfer to assets held for sale	11	–	–	–	–	(21)	–	–	–	–	–	(21)
Impairment losses	(vi), 31(a)	–	–	–	3	23	–	–	–	–	–	26
Disposal of subsidiaries		(2)	–	–	–	(2)	–	–	–	–	–	(4)
Balance at December 31, 2017		512	51	293	41	2,631	60	57	145	51	–	3,841
Carrying Amounts												
At January 1, 2017		1,136	12	974	140	6,085	242	8	64	45	2,520	11,226
At December 31, 2017		1,259	16	1,220	143	6,944	219	7	56	42	1,252	11,158

3. Property, Plant and Equipment *(cont'd)*

(S$ million)	Note	Leasehold and freehold land, wet berthage and buildings	Improvements to premises	Quays and dry docks	Plant and machinery	Furniture, fittings and office equipment	Motor vehicles	Capital work-in-progress	Total
Company									
Cost									
Balance at January 1, 2018		20	8	8	709	16	2	4	767
Additions		*	*	*	5	1	*	36	42
Reclassification		–	–	–	1	*	–	(1)	–
Transfer from Inventory		–	–	–	1	–	–	–	1
Disposals		*	*	*	(2)	*	*	–	(2)
Transfer to assets held for sale	11	–	*	–	(36)	–	–	–	(36)
Balance at December 31, 2018		20	8	8	678	17	2	39	772
Accumulated Depreciation and Impairment Losses									
Balance at January 1, 2018		10	8	4	383	14	1	–	420
Depreciation for the year		1	*	*	32	1	*	–	34
Transfer to assets held for sale	11	–	*	–	(9)	–	–	–	(9)
Disposals		*	*	*	(1)	*	*	–	(1)
Balance at December 31, 2018		11	8	4	405	15	1	–	444
Carrying Amounts									
At January 1, 2018		10	–	4	326	2	1	4	347
At December 31, 2018		9	–	4	273	2	1	39	328
Cost									
Balance at January 1, 2017		20	8	8	819	19	2	2	878
Additions		–	*	–	11	1	–	4	16
Reclassification		–	–	–	2	*	–	(2)	–
Transfer to intangible assets	12	–	–	–	–	–	–	*	*
Disposals		*	*	–	(2)	(4)	–	–	(6)
Transfer to assets held for sale	11	–	–	–	(121)	–	–	–	(121)
Balance at December 31, 2017		20	8	8	709	16	2	4	767
Accumulated Depreciation and Impairment Losses									
Balance at January 1, 2017		9	7	4	343	16	1	–	380
Depreciation for the year		1	1	*	39	2	*	–	43
Transfer to assets held for sale	11	–	–	–	(21)	–	–	–	(21)
Disposals		*	*	–	(1)	(4)	–	–	(5)
Impairment losses	(vi)	*	–	–	23	–	–	–	23
Balance at December 31, 2017		10	8	4	383	14	1	–	420
Carrying Amounts									
At January 1, 2017		11	1	4	476	3	1	2	498
At December 31, 2017		10	–	4	326	2	1	4	347

3. Property, Plant and Equipment *(cont'd)*

Group

i. Property, plant and equipment with the following net book values have been pledged to secure loan facilities granted to subsidiaries:

(S$ million)	Note	Group December 31, 2018	Group December 31, 2017	Group January 1, 2017
Freehold land and buildings		**105**	110	89
Leasehold land and buildings		**33**	40	41
Plant and machinery		**4,484**	4,674	3,909
Capital work-in-progress		**159**	105	880
Other assets		**46**	54	54
	23(a)	**4,827**	4,983	4,973

ii. In 2018, no assets were acquired under finance lease (2017: net book value of S$1 million; January 1, 2017: net book value of S$1 million).

iii. During the year, interest and direct staff costs amounting to S$51 million (2017: S$66 million) and S$8 million (2017: S$13 million), respectively were capitalised as capital work-in-progress. Included in these amount are capitalised interest costs calculated using a capitalisation rate from 1.92% to 4.75% (2017: 1.20% to 6.50%).

iv. Property, plant and equipment arising from the acquisition of subsidiaries was at fair value at the acquisition date.

v. The existing 5-year time charter contract of the Group's marine accommodation vessel ended during the year. As the Group expects to recover the value of the accommodation vessel through continuing use on a charter basis, the Group used the discounted cash flow projections to determine the recoverable amount. The cash flows projection took into account the expected renewal rates based on prevailing market conditions. The renewal rates have been adjusted assuming a certain level of discount from the current contractual rates but another 2% inflationary adjustment has been factored till the end of the economic useful life of the vessel. The assumed operating cost is based on approved budget and adjusted for inflation at 2% per annum throughout the cash flow periods. The utilisation rate is assumed to be at 95% throughout the cash flow periods; and the terminal value is based on the expected scrap value at the end of the economic useful life of the vessel. These cash flows are then discounted using the weighted average cost of capital determined to be at 12.66% (2017: 9.55%). Based on the Group's assessment of the recoverable amount of the marine accommodation vessel which amounted to S$196 million, an impairment loss of S$5 million (2017: nil) was recognised in the current year's profit or loss. The above assumptions are inherently judgemental. Any unfavourable changes to the above assumptions would lead to additional impairment.

vi. In 2017, due to the Group's optimisation of its steam production plant in the Utilities business segment in Singapore, management has decided to retire certain aged steam package boilers, and therefore the value-in-use of the equipment is estimated to be nil as at December 31, 2017 (if relevant). Accordingly, an impairment loss in relation to these boilers amounting to S$23 million was recognised in the 2017's cost of sales.

In 2017, due to weakened margin from a plant in the Utilities business segment in Americas, the Group tested the related asset for impairment and recognised an impairment loss of S$3 million with respect to plant and equipment. The recoverable amount of the plant of S$26 million was estimated based on its value-in-use calculation using a pre-tax discount rate of 8.8% and 5 years cash flow projections with 4.5% growth rate. The impairment loss was recognised in the 2017's cost of sales.

3. Property, Plant and Equipment *(cont'd)*

vii. During the year, property, plant and equipment included additional provision for restoration costs amounting to S$4 million (2017: S$21 million) (Note 20).

viii. A subsidiary in India has entered into an agreement to convert an existing leasehold land upon which its property, plant and equipment reside, to freehold land. The subsidiary has fully paid for the conversion of the leasehold land based on the freehold rate. As at December 31, 2018, the land has not been transferred to the subsidiary. Pursuant to the current lease agreement, it is provided that in the event that the land is not transferred, the lessor is obliged to renew the lease for a further period on mutually agreed terms and conditions. No impairment, revision of useful life or provision for restoration cost has been recorded as at December 31, 2018, as the alienation of this leasehold land is in progress (approved by the Chief Minister and awaiting final approval of the Group of Ministers).

ix. In August 2014, Sembcorp Lianyungang (SLYG) purchased assets from Lianyungang Shenghai (a state owned enterprise) to develop the wastewater treatment project in Lianyungang, Jiangsu. As at December 31, 2018, the requisite land title has not been transferred to SLYG. No impairment, revision of useful life or provision for restoration cost has been recorded.

x. During the year, Sembcorp Energy India Limited (SEIL) Project 1's Unit 1 was shut down due to the breakdown of one of its major electrical components. Subsequent to the year end, the electrical component has been replaced. The detailed technical assessment of the breakdown by external experts are currently ongoing. Management's assessment of the implication and extent of the damage is in progress. Accordingly, no impairment, revision of useful life, or provision for additional costs has been determined or recorded as at December 31, 2018.

xi. Property, plant and equipment are assessed for impairment, where indicators of impairment exist. Please refer to Note 12 for the key assumptions and risk factors in relation to discounted cash flow projection used by the Group to determine the recoverable amounts of property, plant and equipment within the Group's CGUs where goodwill has been allocated and is monitored.

Company

xii. In 2017, due to the Group's optimisation of its steam production plant in Singapore, management has decided to retire certain aged steam package boilers, and therefore the value-in-use of the equipment is estimated to be S$nil as at December 31, 2017. Accordingly, an impairment loss in relation to these boilers amounting to S$23 million was recognised in 2017's cost of sales.

xiii. During the year, there was no additional provision for restoration costs included in property plant and equipment (2017: S$2 million) (Note 20).

Change in estimates

As part of the Group's transformation and yard consolidation strategy in the Marine business segment, the Group is scheduled to move out completely from its yard at Tanjong Kling Road ("Tanjong Kling Yard") by end 2019 and return the yard to the Government ahead of its original schedule. Accordingly, the Group has revised its estimates for the useful lives of certain assets at Tanjong Kling Yard in 2018. The effect of these changes on depreciation expense in current and future periods on assets currently held is as follows:

(S$ million)	2018	2019	2020	2021	2022	Later
Group						
Increase / (decrease) in depreciation expense and decrease / (increase) in profit before tax	11	44	(10)	(9)	(9)	(27)

4. Investment Properties

(S$ million)	Note	Group: Investment properties	Investment properties work-in-progress	Total
Cost				
Balance at January 1, 2018		45	63	108
Translation adjustments		*	(3)	(3)
Additions		*	20	20
Transfer from property, plant and equipment	3	5	–	5
Balance at December 31, 2018		50	80	130
Accumulated Depreciation and Impairment Losses				
Balance at January 1, 2018		17	–	17
Translation adjustments		*	–	*
Depreciation for the year	31(a)	1	–	1
Transfer from property, plant and equipment	3	2	–	2
Balance at December 31, 2018		20	–	20
Carrying Amounts				
At January 1, 2018		28	63	91
At December 31, 2018		30	80	110
Cost				
Balance at January 1, 2017		36	41	77
Translation adjustments		–	(1)	(1)
Additions		2	26	28
Transfer from property, plant and equipment	3	4	–	4
Reclassification		3	(3)	–
Balance at December 31, 2017		45	63	108
Accumulated Depreciation and Impairment Losses				
Balance at January 1, 2017		16	–	16
Translation adjustments		*	–	–
Depreciation for the year	31(a)	1	–	1
Transfer from property, plant and equipment		*	–	–
Balance at December 31, 2017		17	–	17
Carrying Amounts				
At January 1, 2017		20	41	61
At December 31, 2017		28	63	91

4. Investment Properties *(cont'd)*

The following amounts are recognised in profit or loss:

(S$ million)	Group: December 31, 2018	December 31, 2017
Rental income	**8**	7
Operating expenses arising from rental of investment properties	**5**	5

The fair value of the investment properties as at the balance sheet date is S$154 million (2017: S$153 million; January 1, 2017: S$91 million). The fair values are mostly determined by independent professional valuers using a combination of investment income method and direct or market comparison techniques, including adjustments to reflect the specific use of the investment properties. Such valuation is derived from observable market data from an active and transparent market. In the absence of current prices in an active market, the fair values are determined by considering the aggregate of the estimated cash flow expected to be received from renting out the properties or Directors' valuation. A yield that reflects the specific risks inherent in the cash flows is then applied to the net annual cash flows to obtain the fair values.

Investment properties of S$nil (2017: S$39 million; January 1, 2017: S$40 million) have been pledged to secure loan facilities.

5. Investment in Subsidiaries

(S$ million)	Company: December 31, 2018	December 31, 2017	January 1, 2017
At cost and carrying value:			
Quoted equity shares	**739**	739	739
Unquoted equity shares	**1,616**	1,616	1,414
Preference shares	**288**	288	288
Share-based payments reserve	**4**	6	3
	2,647	2,649	2,444

The fair value of the equity interest of the listed subsidiary, with a carrying amount of S$739 million (2017: S$739 million; January 1, 2017: S$739 million), amounts to S$1,962 million (2017: S$2,345 million; January 1, 2017: S$1,758 million) based on the last transacted market price on the last transaction day of the year.

Details of key subsidiaries are set out in Note 44.

6. Associates and Joint Ventures

(S$ million)	Note	Group December 31, 2018	December 31, 2017	January 1, 2017
Associates and joint ventures		**1,683**	1,711	1,698
Loan to an associate	(a)	**58**	54	48
		1,741	1,765	1,746

In 2018, the Group received dividends of S$236 million (2017: S$155 million) from its investments in associates and joint ventures.

The carrying value includes goodwill on acquisition as follows:

(S$ million)	Group 2018	2017
Balance at January 1	**2**	2
Goodwill on acquisition	**1**	–
Balance at December 31	**3**	2

a. On adoption of SFRS(I) 9, the loan is classified as financial assets at amortised cost. Allowance for impairment on this loan is insignificant.

The loan to an associate is unsecured, bears interest at 8.5% per annum and have no fixed terms of repayment. The settlement of the amount is neither planned nor likely to occur in the foreseeable future and hence the loan is classified as non-current.

Associates

Subsequent to the disposal of Cosco Shipyard Group Co., Ltd (which was completed in January 2017), no individual associates are considered to be material to the Group as at December 31, 2018 and December 31, 2017. All are equity accounted. Summarised financial information of the associates are presented in aggregate, representing the Group's share, is as follows:

(S$ million)	Group December 31, 2018	December 31, 2017	January 1, 2017
Carrying amount	**415**	503	471
Profit / (Loss) for the year	**26**	35	(7)
Other comprehensive income	**7**	31	(4)
Total comprehensive income	**33**	66	(11)

The fair value of the equity interest of a listed associate amounts to S$240 million (2017: S$309 million; January 1, 2017: S$328 million) based on the last transacted market price on the last transaction day of the year.

In 2017, the Group recognised an impairment loss of S$4 million representing the entire carrying amount of one of the Group's associates as management has assessed that the commercial viability of the business is highly unlikely in the foreseeable future and the value-in-use of its assets is estimated to be S$nil as at December 31, 2017. The impairment losses on associates were recorded in non-operating expenses. No such impairment losses were recognised in 2018.

6. Associates and Joint Ventures *(cont'd)*

Joint Ventures

The Group has one (2017: nil) joint venture that is material and a number of joint ventures that are individually immaterial to the Group. All are equity accounted. Summarised financial information of the material joint venture is presented as follows:

(S$ million)	Vietnam Singapore Industrial Park JV Co
December 31, 2018	
Revenue	418
Profit for the year[a]	114
Other comprehensive income	–
Total comprehensive income	114
Attributable to non-controlling interests	12
Attributable to investee's shareholders	102

a. Includes depreciation and amortisation of S$6 million, finance income of S$7 million, finance cost of S$1 million and income tax expense of S$29 million

Non-current assets	153
Current assets[b]	737
Non-current liabilities[c]	(170)
Current liabilities[d]	(268)
Non-controlling interests	(73)
Net assets	379

b. Includes cash and cash equivalents of S$179 million

c. Includes non-current financial liabilities (excluding trade and other payables and provisions) of S$156 million

d. Includes current financial liabilities (excluding trade and other payables and provisions) of S$49 million

6. Associates and Joint Ventures *(cont'd)*

Joint Ventures *(cont'd)*

(S$ million)	Vietnam Singapore Industrial Park JV Co	Individually immaterial joint ventures	Total
December 31, 2018			
Group's interest in net assets of investees at beginning of the year	240	1,022	1,262
Group's share of:			
Profit from continuing operations	52	96	148
Other comprehensive income	–	24	24
Total comprehensive income	52	120	172
Dividends received during the year	(96)	(120)	(216)
Translation during the year	(3)	(29)	(32)
Addition during the year, net of disposal	–	82	82
Carrying amount of interest in investees at end of the year	193	1,075	1,268

December 31, 2017	
Revenue	337
Profit for the year[a]	85
Total comprehensive income	85
Attributable to non-controlling interests	6
Attributable to investee's shareholders	79

a. Includes depreciation and amortisation of S$8 million, finance income of S$4 million, finance cost of S$1 million and income tax expense of S$21 million

Non-current assets	140
Current assets[b]	666
Non-current liabilities[c]	(135)
Current liabilities[d]	(134)
Non-controlling interests	(67)
Net assets	470

b. Includes cash and cash equivalents of S$174 million

c. Includes non-current financial liabilities (excluding trade and other payables and provisions) of S$122 million

d. Includes current financial liabilities (excluding trade and other payables and provisions) of S$33 million

6. Associates and Joint Ventures *(cont'd)*

Joint Ventures *(cont'd)*

(S$ million)	Vietnam Singapore Industrial Park JV Co	Individually immaterial joint ventures	Total
December 31, 2017			
Group's interest in net assets of investees at beginning of the year	259	1,016	1,275
Group's share of:			
Profit from continuing operations	40	89	129
Other comprehensive income	–	23	23
Total comprehensive income	40	112	152
Dividends received during the year	(46)	(91)	(137)
Translation during the year	(13)	(30)	(43)
Addition during the year, net of disposal	–	15	15
Carrying amount of interest in investees at end of the year	240	1,022	1,262

The Group's share of the capital commitments of the joint ventures at the balance sheet date amounted to S$405 million (2017: S$493 million; January 1, 2017: S$271 million).

The Group's interest in joint ventures with total carrying amount of S$83 million (2017: S$86 million; January 1, 2017: S$55 million) as at balance sheet date has been pledged to banks to secure credit facilities granted to the joint venture entities.

7. Other Financial Assets

(S$ million)	Note	Group December 31, 2018	Group December 31, 2017	Group January 1, 2017
Non-current Assets				
Available-for-sale financial assets:				
– Equity shares	(a)	**–**	122	151
– Unit trusts and funds	(b)	**–**	11	10
		–	133	161
Financial assets at fair value through other comprehensive income:				
– Equity shares	(d)	**108**	–	–
Financial assets at fair value through profit or loss:				
– Cross currency swaps		**8**	6	11
– Interest rate swaps		*****	*	*
– Foreign exchange option contracts		*****	*	–
– Unit trusts and funds		**15**	–	–
		23	6	11
Hedge of net investment in foreign operations:				
– Cross currency swaps		**–**	–	13
– Forward foreign exchange contracts		**26**	–	–
		26	–	13
Cash flow hedges:				
– Forward foreign exchange contracts		**1**	24	13
– Fuel oil swaps		*****	8	2
– Interest rate swaps		**2**	*	1
– Cross currency swaps		**77**	4	–
		80	36	16
At amortised cost:				
– Long-term fixed deposits		**25**	–	–
		262	175	201

7. Other Financial Assets *(cont'd)*

(S$ million)	Note	Group December 31, 2018	Group December 31, 2017	Group January 1, 2017
Current Assets				
Available-for-sale financial assets:				
– Unit trusts and funds	(b)	**–**	56	33
Financial assets at fair value through profit or loss:				
– Forward foreign exchange contracts		**–**	*	19
– Foreign exchange swap contracts		**5**	1	*
– Electricity futures market contract		**–**	–	*
– Commodity swap		*****	2	–
– Unit trusts and funds	(c)	**56**	–	–
		61	3	19
Hedge of net investment in foreign operations:				
– Cross currency swaps		**–**	14	–
Cash flow hedges:				
– Forward foreign exchange contracts		**13**	33	34
– Fuel oil swaps		**7**	35	28
– Interest rate swaps		*****	*	2
– Cross currency swap		**13**	–	–
– Electricity futures market contracts		**1**	–	–
		34	68	64
Fair value hedges:				
– Forward foreign exchange contracts		**–**	1	4
		95	142	120

a. In 2017, the cumulative fair value loss of available-for-sale financial assets of S$2 million previously recorded in equity was reclassified to profit or loss, when the available-for-sale financial assets were impaired.

b. In 2017, included in unit trusts and funds are amounts of S$54 million (January 1, 2017: S$32 million) pledged to secure loan facilities.

c. Included in unit trust and funds are amounts of S$55 million pledged to secure loan facilities.

d. At January 1 2018, the Group designated equity investments as FVOCI because these equity investments represent investments that the Group intends to hold for the long-term strategic purposes. In 2017, these investments were classified as available-for-sale.

8. Trade and Other Receivables

(S$ million)	Note	December 31, 2018 Non-current	Current	Total	December 31, 2017 Non-current	Current	Total	January 1, 2017 Non-current	Current	Total
Group										
Trade receivables		**965**	**1,252**	**2,217**	113	1,283	1,396	3	1,134	1,137
Service concession receivables	(a)	**1,061**	**13**	**1,074**	881	12	893	461	12	473
Amounts due from related parties	10	**40**	**128**	**168**	62	53	115	142	46	188
Staff loans		**–**	*****	*****	–	*	*	–	*	*
Deposits		**77**	**13**	**90**	39	49	88	59	17	76
Sundry receivables	(b)	**–**	**94**	**94**	–	103	103	8	142	150
Unbilled receivables	(c)	**–**	**422**	**422**	–	415	415	–	375	375
Loan receivables	(e)	**137**	**209**	**346**	–	4	4	–	4	4
Recoverables		**–**	**22**	**22**	–	26	26	1	29	30
Interest receivables		**–**	**7**	**7**	–	6	6	–	8	8
Dividend receivables		**–**	**–**	**–**	–	*	*	–	110	110
		2,280	**2,160**	**4,440**	1,095	1,951	3,046	674	1,877	2,551
Loss allowance (2017: Allowance for doubtful trade and other receivables)	(g)	**(10)**	**(197)**	**(207)**	(1)	(205)	(206)	(9)	(226)	(235)
Financial assets at amortised costs (2017: Loan and receivables)	39	**2,270**	**1,963**	**4,233**	1,094	1,746	2,840	665	1,651	2,316
Prepayments	(f)	**79**	**105**	**184**	87	74	161	69	77	146
Employee defined benefit asset	22	*****	**–**	*****	3	–	3	–	–	–
Advances to suppliers		**–**	**221**	**221**	–	274	274	–	278	278
		2,349	**2,289**	**4,638**	1,184	2,094	3,278	734	2,006	2,740
Company										
Trade receivables		**–**	**26**	**26**	–	42	42	–	98	98
Amounts due from related parties	10	**268**	**11**	**279**	221	9	230	200	5	205
Deposits		**–**	**2**	**2**	–	2	2	–	2	2
Sundry receivables	(b)	**–**	**–**	**–**	–	1	1	–	–	–
Unbilled receivables	(c)	**–**	**53**	**53**	–	80	80	–	81	81
Recoverables		**–**	**1**	**1**	–	5	5	–	1	1
		268	**93**	**361**	221	139	360	200	187	387
Loss allowance (2017: Allowance for doubtful trade and other receivables)	(g)	**–**	**–**	**–**	–	(2)	(2)	–	(20)	(20)
Financial assets at amortised costs (2017: Loan and receivables)	39	**268**	**93**	**361**	221	137	358	200	167	367
Prepayments	(f)	**5**	**3**	**8**	5	2	7	6	4	10
Advance to suppliers		**–**	**–**	**–**	–	2	2	–	–	–
		273	**96**	**369**	226	141	367	206	171	377

8. Trade and Other Receivables *(cont'd)*

a. Service Concession Receivables

Subsidiaries in Singapore, Chile and Panama each have entered into service concession arrangements with the local governments. Under these arrangements, the subsidiaries are to supply treated water to the local governments for periods ranging from 25 years to 30 years. The subsidiaries in Myanmar and Bangladesh have entered into service concession arrangements with the local governments to construct the power plants (currently ongoing) as well as supply electricity to the local governments for a period of 22 years. During the year, the Group recorded construction revenue and profit of S$181 million and S$9 million (2017: S$453 million and S$54 million) accordingly for the service concession arrangements in Myanmar and Bangladesh. All of these arrangements fall within the scope of SFRS(I) INT 12. The construction of the power plant in Myanmar was completed during the year.

The significant aspects of the service concession arrangements are as follows:

i. The subsidiaries will receive a minimum guaranteed sum from the grantors in exchange for services performed. The subsidiaries recognised these as financial receivables as they have contractual rights under the concession arrangements. The financial receivables are measured on initial recognition at their fair values, representing the present value of the guaranteed annual payments to be received from the grantor, discounted at interest rates ranging from 3.62% to 17.0%;

ii. Under the arrangements, the operator is required to design, construct, operate, manage and maintain the assets; and

iii. Upon expiry of the concession arrangements, the assets are to be transferred to the local governments between 2024 to 2041. Any extension will be based on mutual agreement.

As at December 31, 2018, management is currently financing the land lease agreement with the relevant authority for the power plant constructed in Myanmar. This may potentially affect the impairment assessment of the service concession receivables. Management is of the view that the subsidiary is able to continue operating the gas-fired power plant despite the land lease agreement not being finalised.

b. Sundry Receivables

Sundry receivables represent mainly other receivables, GST receivables and sales consideration receivable from the divestment of a joint venture in December 2016. The sales consideration receivables from the divestment of a joint venture were received in 2017.

8. Trade and Other Receivables *(cont'd)*

c. Unbilled Receivables

Unbilled receivables represent revenue accrued for sale of utilities commodities and services. Included in the Company's unbilled receivables are amounts of S$17 million (2017: S$45 million; January 1, 2017: S$45 million) due from related companies.

d. Trade and Other Receivables

Trade and other receivables of S$1,285 million (2017: S$1,080 million; January 1, 2017: S$721 million) have been pledged to secure loan facilities. Included in the pledged amount is S$390 million (2017: S$216 million; January 1, 2017: nil) that relates to the underlying assets of the service concession arrangements.

e. Loan Receivables

The non-current loan receivables relates to loan extended to a customer. The loan bears interest at Libor plus 4% margin per annum upon physical delivery of a vessel to the customer, is unsecured and repayable after 2019.

f. Prepayments

Prepayments are charged to profit or loss on a straight-line basis over the prepaid period. They relate primarily to:

Group

i. Connection fees prepaid under the Generation Connection and Use of System Agreement for the use of the transmission lines to a related corporation amounted to S$26 million (2017: S$28 million; January 1, 2017: S$30 million);

ii. Service fees prepaid under the Gasoil Supply and Storage Agreement for the usage of the tank; and

iii. Capacity charges prepaid for the use of gas delivery pipelines, prepaid insurance premium, transport tariff recoverable and maintenance of plant.

Company

i. Connection and capacity charges prepaid for the use of pipelines and piperacks.

8. Trade and Other Receivables *(cont'd)*

g. The impairment losses on financial assets at amortised costs (2017: loans and receivables) are as follow:

		December 31, 2018			December 31, 2017			January 1, 2017		
(S$ million)	Note	Gross	Impairment	Net	Gross	Impairment	Net	Gross	Impairment	Net
Group										
Trade receivables		**2,217**	**(176)**	**2,041**	1,395	(189)	1,206	1,137	(205)	932
Amounts due from related parties	10	**168**	**(8)**	**160**	115	(6)	109	188	(6)	182
Other receivables		**2,055**	**(23)**	**2,032**	1,536	(11)	1,525	1,226	(24)	1,202
		4,440	**(207)**	**4,233**	3,046	(206)	2,840	2,551	(235)	2,316
Company										
Trade receivables		**26**	**–**	**26**	42	(2)	40	98	(20)	78
Amounts due from related parties	10	**279**	**–**	**279**	230	–	230	205	–	205
Other receivables		**56**	**–**	**56**	88	–	88	84	–	84
		361	**–**	**361**	360	(2)	358	387	(20)	367

9. Contract Assets

	Group		
(S$ million)	December 31, 2018	December 31, 2017	January 1, 2017
Contract assets	**1,022**	661	453

	Company		
(S$ million)	December 31, 2018	December 31, 2017	January 1, 2017
Contract assets	**10**	–	–

The contract assets mainly relates to the Group's conditional rights to consideration for work completed but not yet billed at reporting date on the long-term contracts for ship and rig building, conversion and repair; and infrastructure construction. The contract assets are transferred to trade receivables when the rights become unconditional. Significant changes in the contract assets balances during the period are as follows:

	Group		Company	
(S$ million)	2018	2017	2018	2017
Transfer of contract assets recognised at the beginning of the year to trade receivables	**(460)**	(368)	**–**	–
Recognition of revenue, net of transfer to trade receivables during the year	**818**	577	**10**	–
Cumulative catch-up adjustments arising from:				
– Changes in measurement of progress	**2**	*	**–**	–
– Contract modifications	**1**	*	**–**	–

10. Amounts Due from Related Parties

(S$ million)	Note	Associates December 31, 2018	Associates December 31, 2017	Associates January 1, 2017	Joint ventures December 31, 2018	Joint ventures December 31, 2017	Joint ventures January 1, 2017	Related companies December 31, 2018	Related companies December 31, 2017	Related companies January 1, 2017	Total December 31, 2018	Total December 31, 2017	Total January 1, 2017
Group													
Amounts due from:													
Trade		**5**	7	3	**11**	13	11	**23**	9	7	**39**	29	21
Non-trade		**1**	2	3	**88**	19	7	*****	–	–	**89**	21	10
Loans		**–**	–	–	**40**	65	145	**–**	–	12	**40**	65	157
	8	**6**	9	6	**139**	97	163	**23**	9	19	**168**	115	188
Loss allowance (2017: Allowance for doubtful receivables)		**(1)**	(2)	(1)	**(6)**	(4)	(5)	**(1)**	–	–	**(8)**	(6)	(6)
		5	7	5	**133**	93	158	**22**	9	19	**160**	109	182
Amount due within 1 year		**(5)**	(7)	(5)	**(94)**	(32)	(17)	**(22)**	(9)	(19)	**(121)**	(48)	(41)
		–	–	–	**39**	61	141	**–**	–	–	**39**	61	141

The non-trade amounts due from related parties are unsecured, repayable on demand and interest-free.

The loans to joint ventures of S$39 million (2017: S$61 million; January 1, 2017: S$141 million) are unsecured, not expected to be repaid in the next 12 months and bear interest rates ranging from 1.03% to 4.43% (2017: 0.75% to 3.36%; January 1, 2017: 0.67% to 2.99%) per annum. The remaining balance is repayable in the next 12 months.

(S$ million)	Note	Subsidiaries December 31, 2018	Subsidiaries December 31, 2017	Subsidiaries January 1, 2017	Total December 31, 2018	Total December 31, 2017	Total January 1, 2017
Company							
Amounts due from related parties	8	**279**	230	205	**279**	230	205
Amount due within 1 year	8	**(11)**	(9)	(5)	**(11)**	(9)	(5)
	8	**268**	221	200	**268**	221	200

The amounts due from related parties are unsecured, repayable on demand and interest-free.

The loans to related parties of S$268 million (2017: S$221 million; January 1, 2017: S$200 million) are unsecured, not expected to be repaid in the next 12 months and bear interest rates ranging from 3.24% to 4.75% (2017: 3.70% to 4.75%; January 1, 2017: 4.75%) per annum.

11. Assets Held for Sale

(S$ million)	Note	Group December 31, 2018	Group December 31, 2017	Group January 1, 2017
Property, plant and equipment	3, (a)	**127**	100	–
Interest in associate	(b)	**2**	–	182
		129	100	182

(S$ million)	Note	Company December 31, 2018	Company December 31, 2017	Company January 1, 2017
Property, plant and equipment	3, (a)	**127**	100	–

11. Assets Held for Sale *(cont'd)*

a. On August 25, 2017, the Company entered into a sale and purchase agreement to sell certain utilities assets to a customer for a consideration of US$113 million (approximately S$152 million). On August 8, 2018, the sale and purchase agreement was amended to sell additional utilities assets to the customer for a consideration of US$30 million (approximately S$41 million). The assets were classified as asset held for sale as the assets are available for immediate sale in their present condition and measured at its carrying amount as at December 31, 2018 and December 31, 2017 respectively. The sale is expected to be completed by 2019.

b. On January 15, 2019, the Group's subsidiaries, Sembcorp Marine Repairs and Upgrades Pte. Ltd. (SMRU) and Semb-Eco Pte. Ltd. (Semb-Eco) entered into a share swap agreement with Ecospec Global Technology Pte. Ltd. (EGT) and its shareholders. Consequently, EGT will cease to be an associate of the Group.

12. Intangible Assets

(S$ million)	Note	Goodwill	Service concession arrangements	Long-term contracts	Intellectual property rights	Water rights	Others	Total
Group								
Cost								
Balance at January 1, 2018		224	155	94	229	10	41	753
Translation adjustments		(18)	(10)	(18)	–	–	5	(41)
Additions		–	3	–	–	–	17	20
Acquisition of subsidiaries		93	–	153	55	–	–	301
Disposal of subsidiary		–	(64)	–	–	–	(3)	(67)
Write-off	31(a)	(1)	–	–	–	–	–	(1)
Balance at December 31, 2018		298	84	229	284	10	60	965
Accumulated Amortisation and Impairment Losses								
Balance at January 1, 2018		26	54	11	56	–	25	172
Translation adjustments		–	(3)	(1)	–	–	–	(4)
Amortisation charge for the year	31(a)	–	7	8	22	–	10	47
Disposal of subsidiary		–	(27)	–	–	–	(2)	(29)
Impairment losses	31(c)	1	–	–	–	–	–	1
Write-off	31(a)	(1)	–	–	–	–	–	(1)
Balance at December 31, 2018		26	31	18	78	–	33	186
Carrying Amounts								
At January 1, 2018		198	101	83	173	10	16	581
At December 31, 2018		272	53	211	206	10	27	779

12. Intangible Assets *(cont'd)*

(S$ million)	Note	Goodwill	Service concession arrangements	Long-term contracts	Intellectual property rights	Water rights	Others	Total
Group								
Cost								
Balance at January 1, 2017		225	152	95	229	11	31	743
Translation adjustments		(1)	–	(1)	–	(1)	–	(3)
Additions		–	3	–	–	–	10	13
Transfer from property, plant and equipment	3	–	–	–	–	–	1	1
Disposals		–	–	–	–	–	(1)	(1)
Write-off	31(a)	–	*	–	–	–	–	*
Balance at December 31, 2017		224	155	94	229	10	41	753
Accumulated Amortisation and Impairment Losses								
Balance at January 1, 2017		–	46	7	37	–	16	106
Translation adjustments		–	–	–	–	–	–	–
Amortisation charge for the year	31(a)	–	8	4	19	–	9	40
Disposals		–	–	–	–	–	*	*
Impairment losses	31(c)	26	–	–	–	–	–	26
Write-off	31(a)	–	*	–	–	–	–	*
Balance at December 31, 2017		26	54	11	56	–	25	172
Carrying Amounts								
At January 1, 2017		225	106	88	192	11	15	637
At December 31, 2017		198	101	83	173	10	16	581

Intangible assets of less than S$1 million (2017: S$1 million; January 1, 2017: S$2 million) have been pledged to secure loan facilities.

12. Intangible Assets *(cont'd)*

(S$ million)	Goodwill	Others	Total
Company			
Cost			
Balance at January 1, 2018	19	15	34
Additions	–	3	3
Balance at December 31, 2018	19	18	37
Accumulated Amortisation and Impairment Losses			
Balance at January 1, 2018	–	9	9
Amortisation charge for the year	–	4	4
Balance at December 31, 2018	–	13	13
Carrying Amounts			
At January 1, 2018	19	6	25
At December 31, 2018	19	5	24
Cost			
Balance at January 1, 2017	19	11	30
Transfer from property, plant and equipment	–	*	*
Additions	–	4	4
Balance at December 31, 2017	19	15	34
Accumulated Amortisation and Impairment Losses			
Balance at January 1, 2017	–	7	7
Amortisation charge for the year	–	2	2
Balance at December 31, 2017	–	9	9
Carrying Amounts			
At January 1, 2017	19	4	23
At December 31, 2017	19	6	25

Amortisation

The amortisation of intangible assets is analysed as follows:

	Group	
(S$ million)	December 31, 2018	December 31, 2017
Cost of sales	**41**	36
Administrative expenses	**6**	4
Total	**47**	40

12. Intangible Assets *(cont'd)*

Service Concession Arrangements

The subsidiaries in Chile, Panama, South Africa and China have service concession agreements with the local municipalities in Chile; Panama; Mbombela and Ilembe in South Africa; and Fuzhou, Xinmin and Yanjiao in People's Republic of China. Under these agreements, the subsidiaries are to supply drinking water to the local communities for periods of 25 to 30 years. All of these arrangements fall within the scope of SFRS(I) INT 12. In 2018, the subsidiaries in South Africa which have service concession agreements have been disposed.

The significant aspects of the above service concession arrangements are as follows:

- The arrangements are 25 to 30 years concession arrangements for water treatment with the respective municipal governments. The Group has a total of 4 Build-Own-Operate-Transfer (BOOT) arrangements and 3 concession contracts as at the end of the reporting period.
- Under the BOOT arrangement, the operator is required to design, construct, own as well as operate, manage and maintain the assets and water services works for the supply of water.
- Under the concession contract, the operator has a right of use of all assets of the local authority concerning water and sanitation. Concessional rights include rights to possess, use, operate, manage, maintain, rehabilitate, redesign, improve and expand existing assets and water services, as well as rights to own, design, construct any new assets and water services works within the geographical scope of concession.
- Upon expiry of the concession arrangements, the assets are to be transferred to the local municipality at no cost. Any extension will be based on mutual agreement.
- The tariffs in the South African subsidiaries are subject to review every 5 years. The tariffs are adjusted annually with an escalation formula based on costs specified in the contract. Tariff adjustments have to be approved by the Local Municipality in the city where the project is located. The tariffs in China are regulated by the Administrative Measures on Pricing of Municipal Water Supply issued by the State Development and Reform Commission (SDRC). Tariffs adjustments have to be approved by the Water Supply Company and Price Bureau, with the local institution controlling prices under the SDRC, in the city where the project is located. The tariff adjustment is based on the previous year consumer price index as stipulated in the concession agreements.

Long-term Contracts

India

The subsidiaries in India, have long-term power purchase agreements (PPAs) with the local Electricity Board and commercial customers.

The significant terms of the above PPAs are as follows:

- A subsidiary in India has a long-term contract to provide 500 megawatts of power to the Andhra Pradesh Power distribution companies for a period of 25 years.
- The subsidiaries in the renewables sector in India have long-term contracts with India's State Electricity Boards in Gujarat, Karnataka, Maharashtra, Rajasthan and Tamil Nadu, with tenures ranging from 10 to 30 years. These subsidiaries also sell electricity to commercial customers with tenures ranging from 10 to 25 years.

United Kingdom (UK)

The subsidiaries in the UK acquired in 2018, have contracted with the National Grid of the UK to generate electricity through a portfolio of diesel and gas generators in multiple sites across the UK and supplier contracts with tenures ranging from 1 to 15 years. The majority of these contracts provide fixed rate cash flows relating to plant availability (Capacity Market contracts). Please refer to Note 43 for information with respect to the suspension of the Great Britain Capacity Market Scheme.

12. Intangible Assets *(cont'd)*

Intellectual Property Rights

Intellectual property rights relate to acquired patents for the Jurong Espadon Drillship, Satellite Services Platform offshore designs, re-deployable modularised LNG and LPG solutions, and all of Sevan Marine ASA and HiLoad LNG ASA intellectual property rights.

Water Rights

The water rights mainly have infinite useful lives and are perpetual in nature. The water rights as established in the acquisition contracts were obtained from the General Water Directorate (DGA), a regulatory body under the Ministry of Public Works in Chile. The rights allow the Group to extract water from the specific water sources and supply water to end customers.

Other Intangible Assets

Other intangible assets comprise carbon allowances, software, development rights and golf club membership.

Goodwill

Group

Impairment Testing for Goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

		Group		
(S$ million)	Note	December 31, 2018	December 31, 2017	January 1, 2017
Cash-generating Unit (CGU)				
SUT Division	(a)	**19**	19	19
Sembcorp Gas Pte Ltd	(b)	**42**	42	42
SEIL (Project I) (formerly known as Sembcorp Energy India Ltd)	(c)	**25**	27	27
SEIL (Project II) (formerly known as Sembcorp Gayatri Power Limited)	(d)	**41**	45	46
Sembcorp Green Infra Limited and its subsidiaries	(e)	**38**	41	42
UK Power Reserve Limited	(f)	**83**	–	–
Sembcorp Cogen Pte Ltd	(g)	**–**	–	26
Multiple units with insignificant goodwill		**24**	24	23
		272	198	225

The recoverable amounts for SUT Division, Sembcorp Gas Pte Ltd, SEIL (Project I), Sembcorp Green Infra Limited and its subsidiaries, SEIL (Project II) and UK Power Reserve Limited were determined using value-in-use calculations. Cash flow projections used in the value-in-use calculations were prepared based on management's past experience in operating the business and forward market outlook over the long-term nature of the utilities and power business. Pre-tax discount rates between 5.6% to 12.3% (2017: 5.3% to 11.1%) had been used.

At the balance sheet date, based on the following key assumptions, the recoverable amounts of the respective CGUs exceeded their carrying amounts.

12. Intangible Assets *(cont'd)*

Goodwill (cont'd)

Group *(cont'd)*

Impairment Testing for Goodwill *(cont'd)*

a. SUT Division

i. Use cash flow projections over the remaining useful life of the plants of up to 20 years (2017: 21 years). No terminal value is considered;

ii. Revenue and margins are projected based on contracts secured with customers along with likely contract renewals and forecasted demand for industrial utilities and services as well as forecasted margins;

iii. Expected capital expenditure for replenishment of parts and scheduled maintenance related costs have been included in the projections in accordance with plant maintenance programme; and

iv. Inflation rate assumption ranging from 1.0% to 1.8% (2017: 1.4% to 1.9%) has been used to project overheads and other general expenses.

b. Sembcorp Gas Pte Ltd

i. Use cash flow projections based on estimation of sales and purchases of gas quantities derived from the contractual period of existing contracts. No terminal value is considered;

ii. Revenue is projected based on estimated sales and purchases of gas quantities derived from the contractual period of existing contracts;

iii. Forward USD / SGD exchange rate and High Sulphur Fuel Oil (HSFO) prices with reference to forward quotes were assumed in the forecast performance;

iv. Expected capital expenditure to service the pipelines has been included in the projections in accordance with plant maintenance programme; and

v. Inflation rate assumption ranging from 1.0% to 1.8% (2017: 1.4% to 1.9%) has been used to project overheads and other general expenses.

c. SEIL (Project I)

i. Use of cash flow projections over the remaining useful life of the plant of 22 years (2017: 23 years). No terminal value is considered;

ii. Revenue is projected primarily based on combination of long-term and short-term contracts secured with customers at contracted tariffs as well as electricity spot prices. Contract renewals are assumed based on estimated demand and supply as well as margin;

iii. Expected capital expenditure for replenishment of parts and scheduled maintenance related costs have been included in the projections in accordance with plant maintenance programme;

iv. Inflation rate of 4% (2017: 4%) has been used to project overheads and other general expenses; and

v. Cash flows are estimated based on the premise that the conversion of the leasehold land, which the subsidiary has already paid in full, will be converted to freehold (Note 3(viii)).

12. Intangible Assets *(cont'd)*

Goodwill (cont'd)

Group *(cont'd)*

Impairment Testing for Goodwill *(cont'd)*

d. SEIL (Project II)

i. Use of cash flow projections over the remaining useful life of the plant of 23 years (2017: 24 years), with no terminal value considered;

ii. Revenue is projected primarily based on the forecasted combination of long-term and short-term contracts and electricity spot prices with reference to estimated demand and supply of electricity as well as estimated margin;

iii. Expected capital expenditure for replenishment of parts and scheduled maintenance related costs have been included in the projections in accordance with plant maintenance programme; and

iv. Inflation rate of 4% (2017: 4%) has been used to project overheads and other general expenses.

e. Sembcorp Green Infra Limited and its subsidiaries

i. Use of cash flow projections over the remaining useful lives of individual plants of up to 28 years (2017: 29 years). No terminal value is considered;

ii. Revenue is projected based on long-term contracts secured with customers at contracted tariffs. New contracts and contract renewals are assumed based on estimated demand and supply as well as margin;

iii. Expected capital expenditure for replenishment of parts and scheduled maintenance related costs have been included in the projections in accordance with plant maintenance programme; and

iv. Inflation rate of 4% (2017: 5%) has been used to project overheads and other general expenses.

f. UK Power Reserve Limited

i. Use of cash flow projections over a period ranging from 2019 to 2040;

ii. Revenue and margins are projected based on the estimated electricity at forecasted margins which are based on market supply and demand forecast; and

iii. Cash flows relating to the Capacity Market (suspended from November 2018 by the European Court of Justice) are assumed to re-commence in 2020 and that payment will be received from 2020 and continue over the remaining life of the contracts.

At the date of signing these financial statements, the impact of the suspension of the capacity market is evolving. As a result, changes in circumstances may result in alternative estimates and judgements in future financial statements.

g. Sembcorp Cogen Pte Ltd

The following assumptions were used for impairment testing for goodwill allocated to Sembcorp Cogen Pte Ltd in 2017:

a. Use cash flow projections over the remaining useful life of the plants up to 26 years. No terminal value is considered;

b. Revenue and margins are projected based on the estimated electricity and steam demand at forecasted margins which are based on market supply and demand forecast;

c. Expected capital expenditure for replenishment of parts and scheduled maintenance related costs have been included in the projections in accordance with plant maintenance programme; and

d. Inflation rate assumption ranging from 1.4% to 1.9% has been used to project overheads and other general expenses.

12. Intangible Assets *(cont'd)*

Goodwill (cont'd)

Group *(cont'd)*

Impairment Testing for Goodwill *(cont'd)*

g. Sembcorp Cogen Pte Ltd *(cont'd)*

In 2017, the Group recognised impairment on the entire amount of goodwill allocated to Sembcorp Cogen Pte Ltd amounting to S$26 million in light of the challenging operating environment for its power business and the earnings of Sembcorp Cogen Pte Ltd is subject to high volatility in a merchant market environment.

The impairment of goodwill was recorded in non-operating expenses in the 2017's profit or loss and the CGU is allocated to utilities segment.

Impairment Testing for Other Intangibles Assets

Other intangible assets with indefinite useful lives are tested for impairment annually and at other times when such indicators exist. Impairment indicators for long term contracts in the UK are described in Note 12(f).

Company

The Company's goodwill relates to goodwill of SUT on the acquisition of the SUT Division in 2008.

13. Deferred Tax Assets and Liabilities

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

(S$ million)	At January 1	Recognised in profit or loss (Note 30)	Recognised in equity (Note 27)	Acquisition of subsidiaries (Note 37)	Disposal of subsidiaries (Note 36)	Translation adjustments	At December 31
Group							
2018							
Deferred tax liabilities							
Property, plant and equipment	492	(6)	–	21	(9)	(13)	485
Other financial assets	39	–	(11)	–	–	–	28
Trade and other receivables	24	2	–	–	–	–	26
Intangible assets	64	(4)	–	–	–	(2)	58
Other items	16	–	(1)	24	–	(1)	38
Total	635	(8)	(12)	45	(9)	(16)	635
Deferred tax assets							
Property, plant and equipment	(171)	3	–	–	–	–	(168)
Inventories	(4)	1	–	–	–	–	(3)
Trade receivables	(2)	4	–	–	–	–	2
Trade and other payables	(20)	(6)	–	–	–	–	(26)
Tax losses	(13)	5	–	–	–	5	(3)
Provisions	(29)	(20)	–	–	–	–	(49)
Other financial liabilities	(22)	–	(12)	–	–	–	(34)
Retirement benefit obligations	–	6	–	–	–	–	6
Other items	(10)	8	–	–	–	–	(2)
Total	(271)	1	(12)	–	–	5	(277)

13. Deferred Tax Assets and Liabilities *(cont'd)*

(S$ million)	At January 1	Recognised in profit or loss (Note 30)	Recognised in equity (Note 27)	Translation adjustments	At December 31
Group					
2017					
Deferred tax liabilities					
Property, plant and equipment	472	22	–	(2)	492
Other financial assets	35	2	2	–	39
Trade and other receivables	14	10	–	–	24
Intangible assets	70	(6)	–	–	64
Other items	9	7	–	–	16
Total	600	35	2	(2)	635
Deferred tax assets					
Property, plant and equipment	(99)	(73)	–	1	(171)
Inventories	(1)	(3)	–	–	(4)
Trade receivables	–	(2)	–	–	(2)
Trade and other payables	(18)	(2)	–	–	(20)
Tax losses	(79)	65	–	1	(13)
Provisions	(25)	(4)	–	–	(29)
Other financial liabilities	(26)	(1)	5	–	(22)
Retirement benefit obligations	(1)	–	1	–	–
Other items	(62)	50	–	2	(10)
Total	(311)	30	6	4	(271)

(S$ million)	At January 1, 2017	Recognised in profit or loss	At December 31, 2017	Recognised in profit or loss	At December 31, 2018
Company					
Deferred tax liabilities					
Property, plant and equipment	65	(6)	59	(2)	57
Deferred tax assets					
Provisions	(5)	(1)	(6)	(1)	(7)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting included in the balance sheet are as follows:

	Group			Company		
(S$ million)	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
Deferred tax liabilities	**425**	428	402	**50**	53	60
Deferred tax assets	**(67)**	(64)	(113)	**–**	–	–
	358	364	289	**50**	53	60

As at December 31, a deferred tax liability of S$16 million (2017: S$23 million; January 1, 2017: S$24 million) for potential taxable temporary differences arising from undistributed retained earnings related to investment in subsidiaries and joint ventures were not recognised.

13. Deferred Tax Assets and Liabilities *(cont'd)*

Deferred tax assets have not been recognised in respect of the following items, which are available to set off against future taxable income subject to the tax provisions and agreement by the relevant tax authorities of the various jurisdictions:

	Group		
(S$ million)	December 31, 2018	December 31, 2017	January 1, 2017
Deductible temporary differences	**173**	18	20
Tax losses	**1,547**	1,728	1,489
Capital allowances	**21**	25	18
	1,741	1,771	1,527

Tax losses of the Group amounting to S$253 million (2017: S$121 million; January 1, 2017: S$120 million) will expire between 2019 and 2027 (2017: 2018 and 2026; January 1, 2017: 2017 and 2024). The remaining tax losses, capital allowances and deductible temporary differences do not expire under current tax legislation.

Deferred tax assets have not been recognised under the following circumstances:

a. Where they qualified for offset against the tax liabilities of member companies within the Group under the Loss Transfer System of Group Relief but the terms of the transfer have not been ascertained as at year end; or

b. Where it is uncertain that future taxable profit will be available against which certain subsidiaries of the Group can utilise the benefits.

14. Inventories

	Group			Company		
(S$ million)	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
Raw materials and consumables	**243**	251	191	**2**	3	3
Finished goods	**175**	210	207	**8**	9	9
	418	461	398	**10**	12	12
Allowance for inventory obsolescence	**(25)**	(36)	(31)	**(3)**	(3)	(3)
	393	425	367	**7**	9	9
Properties under development	**120**	99	90	**–**	*	2
	513	524	457	**7**	9	11

In 2018, raw materials and changes in finished goods included as cost of sales amounted to S$1,695 million (2017: S$1,599 million).

During the year, the Group conducted a review of all inventories and considered a need to adjust the carrying value to reflect lower expected net realisable value which resulted in a net write-back of S$1 million (2017: write-down of S$10 million).

Inventories of S$142 million (2017: S$128 million; January 1, 2017: S$89 million) and no properties under development (2017: S$66 million; January 1, 2017: S$67 million) have been pledged to secure loan facilities.

15. Contract Costs

(S$ million)	Group December 31, 2018	Group December 31, 2017	Group January 1, 2017
Current Assets			
Costs to secure contract	*	–	–
Fulfilment cost	**329**	2,363	2,612
	329	2,363	2,612
Non-current Assets			
Costs to secure contract	*	–	–
Fulfilment cost	**–**	128	–
	*	128	–

i. Costs to secure contract

Management expects the incremental costs of securing contracts to be recoverable. The Group has therefore capitalised them in the amount of less than S$1 million (2017: S$nil; January 1, 2017: S$nil) as at December 31, 2018.

ii. Fulfilment cost

Costs incurred relating to rig and shipbuilding and construction that are to be sold upon completion are capitalised as fulfilment cost for future performance obligations as at December 31, 2018. These costs are expected to be recoverable and are amortised to profit or loss when the related revenue are recognised. In 2018, S$2,292 million (2017: S$204 million) was amortised to cost of sales and there was no impairment losses (2017: net write-back of S$20 million).

16. Cash and Cash Equivalents

(S$ million)	Note	Group December 31, 2018	Group December 31, 2017	Group January 1, 2017	Company December 31, 2018	Company December 31, 2017	Company January 1, 2017
Fixed deposits with banks		**323**	672	487	**–**	–	–
Cash and bank balances		**1,602**	2,015	1,395	**759**	720	390
Cash and cash equivalents in the balance sheets		**1,925**	2,687	1,882	**759**	720	390
Restricted bank balances		**(1)**	(5)	(11)	**–**	–	–
Bank overdrafts	23	**(1)**	–	(16)	**–**	–	–
Cash and cash equivalents in the consolidated statement of cash flows		**1,923**	2,682	1,855	**759**	720	390

Fixed deposits with banks of the Group earn interest at rates ranging from 0.10% to 9.00% (2017: 0.01% to 13.36%) per annum.

Included in the cash and bank balances are amounts of S$424 million (2017: S$549 million) placed with a related corporation.

Included in the Group's cash and cash equivalents in the balance sheet is an amount of S$293 million (2017: S$282 million; January 1, 2017: S$217 million) over which banks have a first charge in the event that the respective subsidiaries do not meet the debt servicing requirement. Included in this balance is restricted cash of S$1 million (2017: S$5 million; January 1, 2017: S$11 million).

Included in the Company's cash and cash equivalents at the balance sheet date are amounts of S$756 million (2017: S$714 million; January 1, 2017: S$385 million) placed with a subsidiary and amounts of S$3 million (2017: S$6 million; January 1, 2017: S$5 million) placed with a related corporation.

17. Trade and Other Payables

(S$ million)	Note	Group December 31, 2018	Group December 31, 2017	Group January 1, 2017	Company December 31, 2018	Company December 31, 2017	Company January 1, 2017
Current Liabilities							
Trade payables		**1,094**	1,113	1,077	**14**	7	9
Advance payments from customers		**17**	22	17	**–**	1	1
Amounts due to related parties	19	**14**	9	12	**2**	12	4
Accrued capital and operating expenditure	(a)	**1,571**	1,619	1,876	**109**	109	117
Deposits		**34**	32	30	**–**	–	–
Accrued interest payable		**42**	43	45	**–**	–	–
Other creditors	(b)	**196**	502	107	**5**	7	6
		2,968	3,340	3,164	**130**	136	137
Non-current Liabilities							
Deferred grants	(c)	**4**	3	2	**–**	–	–
Amounts due to related parties	19	**–**	–	–	**245**	245	245
Other long-term payables	(d)	**171**	181	149	**23**	29	23
Deferred income		**62**	72	78	**–**	1	1
		237	256	229	**268**	275	269

a. Included in the Company's accrued operating expenses are amounts of S$43 million (2017: S$35 million; January 1, 2017: S$41 million) due to related companies.

b. The Group's other creditors as at December 31, 2017 was predominantly attributable to a consideration payable for the acquisition of the non-controlling interests in Sembcorp Green Infra. In 2016, included in the Group's other creditors are payables arising from the acquisitions of subsidiaries amounting to S$8 million.

c. Deferred grants relate to government grants for capital assets.

d. Other long-term payables include retention monies of subsidiaries, long-term employee benefits and accrued operating and maintenance services which will be billed only after the initial payment-free period, which is more than one year.

18. Contract Liabilities

(S$ million)	Group December 31, 2018	Group December 31, 2017	Group January 1, 2017	Company December 31, 2018	Company December 31, 2017	Company January 1, 2017
Current Liabilities						
Contract liabilities	**445**	1,157	682	**1**	1	1
Non-current Liabilities						
Contract liabilities	**64**	116	271	**30**	13	14

18. Contract Liabilities *(cont'd)*

The contract liabilities primarily relate to the advance consideration received from customers for which revenue is recognised over time and at a point in time. For revenue recognised over time, the balance at year end will be recognised over the period stipulated in the contract.

Significant changes in the contract liabilities balances during the year are as follows:

(S$ million)	Group 2018	Group 2017	Company 2018	Company 2017
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**(1,141)**	(454)	**(1)**	(1)
Increases due to cash received, excluding amounts recognised as revenue during the year	**388**	810	**18**	–
Currency translation changes	**(8)**	(37)	**–**	–
Cumulative catch-up adjustments arising from:				
– Changes in measurement of progress	**(2)**	*	**–**	–
– Contract modifications	**(2)**	–	**–**	–

19. Amounts Due to Related Parties

(S$ million)	Note	Associates December 31, 2018	Associates December 31, 2017	Associates January 1, 2017	Joint ventures December 31, 2018	Joint ventures December 31, 2017	Joint ventures January 1, 2017	Related companies December 31, 2018	Related companies December 31, 2017	Related companies January 1, 2017	Total December 31, 2018	Total December 31, 2017	Total January 1, 2017
Group													
Amounts due to:													
Trade		**2**	3	2	**7**	3	3	**1**	*	4	**10**	6	9
Non-trade		**1**	*	–	*****	*	–	**–**	–	–	**1**	–	–
Advance payment – trade		**–**	–	–	**3**	3	3	**–**	–	–	**3**	3	3
	17	**3**	3	2	**10**	6	6	**1**	*	4	**14**	9	12

The non-trade amounts due to related parties are unsecured, interest-free and repayable on demand.

(S$ million)	Note	Subsidiaries December 31, 2018	Subsidiaries December 31, 2017	Subsidiaries January 1, 2017	Joint ventures December 31, 2018	Joint ventures December 31, 2017	Joint ventures January 1, 2017	Related companies December 31, 2018	Related companies December 31, 2017	Related companies January 1, 2017	Total December 31, 2018	Total December 31, 2017	Total January 1, 2017
Company													
Amounts due to:													
Trade	(i)	**1**	10	2	**–**	–	–	**–**	–	–	**1**	10	2
Non-trade		**1**	2	2	**–**	–	–	**–**	–	–	**1**	2	2
Loans from a related party	(ii)	**245**	245	245	**–**	–	–	**–**	–	–	**245**	245	245
		247	257	249	**–**	–	–	**–**	–	–	**247**	257	249
Amounts due after 1 year		**(245)**	(245)	(245)	**–**	–	–	**–**	–	–	**(245)**	(245)	(245)
	17	**2**	12	4	**–**	–	–	**–**	–	–	**2**	12	4

i. The amounts due to related parties are unsecured, interest-free and repayable on demand.

ii. The loans from a related party of S$245 million (2017: S$245 million; January 1, 2017: S$245 million) bear interest rates ranging from 3.72% to 3.82% (2017: 3.72% to 3.82%; January 1, 2017: 3.72% to 3.82%) per annum and are unsecured.

20. Provisions

(S$ million)	Note	Claims	Restoration costs	Warranty	Fines	Others	Total
Group							
2018							
Balance at January 1		25	108	21	25	18	197
Translation adjustments		–	(4)	–	–	–	(4)
Provisions made during the year		10	4	64	25	2	105
Provisions reversed during the year		(10)	(3)	(27)	–	–	(40)
Provisions utilised during the year		(1)	*	–	(10)	(1)	(12)
Disposal of subsidiaries		–	*	–	–	–	*
Unwind of discount on restoration costs	29	–	3	–	–	–	3
Balance at December 31		24	108	58	40	19	249
Provisions due:							
– within 1 year		24	–	17	40	5	86
– after 1 year but within 5 years		–	36	41	–	12	89
– after 5 years		–	72	–	–	2	74
		24	108	58	40	19	249
2017							
Balance at January 1		23	86	18	–	7	134
Translation adjustments		*	(3)	*	–	*	(3)
Provisions made during the year		12	21	11	25	12	81
Provisions reversed during the year		(4)	–	(8)	–	–	(12)
Provisions utilised during the year		(6)	(1)	–	–	(1)	(8)
Disposal of subsidiaries		–	*	–	–	–	*
Unwind of discount on restoration costs	29	–	5	–	–	–	5
Balance at December 31		25	108	21	25	18	197
Provisions due:							
– within 1 year		25	7	21	25	14	92
– after 1 year but within 5 years		–	26	–	–	2	28
– after 5 years		*	75	–	–	2	77
		25	108	21	25	18	197

20. Provisions *(cont'd)*

(S$ million)	Claims	Restoration costs	Total
Company			
2018			
Balance at January 1	**16**	16	32
Provisions made during the year	**4**	–	4
Provisions utilised during the year	**(1)**	–	(1)
Balance at December 31	**19**	16	35
Provisions due:			
– within 1 year	**19**	–	19
– after 5 years	**–**	16	16
	19	16	35
2017			
Balance at January 1	**15**	11	26
Provisions made during the year	**4**	2	6
Provisions utilised during the year	**(3)**	–	(3)
Unwind of discount on restoration costs	**–**	3	3
Balance at December 31	**16**	16	32
Provisions due:			
– within 1 year	**16**	–	16
– after 5 years	**–**	16	16
	16	16	32

Claims
This provision relates to the obligations arising from contractual and commercial arrangements in the Group's and the Company's operations, based on the best estimate of the possible outflow considering both contractual and commercial factors.

Restoration Costs
Restoration costs relate to cost of dismantling and removing assets and restoring the premises to its original condition as stipulated in the agreements. The liability is expected to be incurred upon fulfilment of restoration obligation or termination of the lease.

Warranty
Provision for warranty relate to contracts with contractual warranty terms. The provision for warranty is based on estimates from weighing all possible outcomes by their associated probabilities and estimates made from historical warranty data associated with similar projects.

The non-current portion of the provision for warranty is for contracts with contractual warranty periods that will lapse within 2 to 3 years from the reporting date.

Fines
During the year, additional provision for fines was made relating to an alleged discharge of off-specification wastewater at an overseas water business. The provision amount was estimated based on available information and advice from technical advisers and external lawyers, as at the date of this report. Legal proceedings are ongoing. The actual amount of the fines and claims is dependent on the outcome of these proceedings.

Others
Others include provision for maintenance obligation recognised for the contractual obligations to maintain the infrastructure and equipment to specified levels of serviceability under the service concession agreements. The amount also includes provision for legal and professional fee, amongst others. These provisions are measured at the best estimate of the expenditure required and timing of outflows, to settle the present obligation at the end of each reporting period.

21. Other Financial Liabilities

(S$ million)	Note	Group December 31, 2018	December 31, 2017	January 1, 2017
Current Liabilities				
Financial liabilities at fair value through profit or loss:				
– Forward foreign exchange contracts		**2**	4	18
– Foreign exchange swap contracts		*****	*	5
– Electricity futures market contracts		**–**	*	*
– Commodity swap contracts		**–**	*	–
– Commodity contracts		**2**	–	–
Cash flow hedges:				
– Interest rate swaps		*****	1	*
– Forward foreign exchange contracts		**12**	5	9
– Fuel oil swaps		**46**	3	5
– Electricity futures market contracts		*****	–	*
		62	13	37
Non-current Liabilities				
Financial liabilities at fair value through profit or loss:				
– Interest rate swaps		*****	*	*
– Electricity futures market contracts		**–**	*	*
– Foreign exchange option contracts		*****	*	*
– Cross currency swaps		**2**	7	1
Cash flow hedges:				
– Interest rate swaps		**13**	14	4
– Forward foreign exchange contracts		**5**	2	24
– Fuel oil swaps		**22**	*	4
– Cross currency swaps		**–**	31	8
– Electricity futures market contracts		**1**	–	–
– Put liability to acquire non-controlling interests	(a)	**–**	–	216
		43	54	257

a. Amount as at January 1, 2017 represents the fair value of the put liability to acquire the non-controlling interests as part of the share purchase agreement of a subsidiary. Under the agreement, the Group entered into put and call options with the shareholders of SGI (ie. Non-controlling shareholders upon the Group's acquisition of 60% in SGI in 2015). In 2017, the Group acquired the remaining interest in SGI. Consequently, the Group no longer has a put liability.

22. Retirement Benefit Obligations

(S$ million)	Note	Group December 31, 2018	December 31, 2017	January 1, 2017
Provision for retirement gratuities	(a)	**4**	4	4
Retirement benefit obligations / (assets)	(b)	**1**	(3)	3
		5	1	7
Retirement benefit obligations				
– Non-current		**5**	4	7
Retirement benefit assets				
– Non-current	8	*****	(3)	–

a. Provision for Retirement Gratuities

(S$ million)	Group 2018	2017
Balance at January 1	**4**	4
Translation adjustments	*****	–
Provision made during the year	**1**	1
Less: Amount paid	**(1)**	(1)
Balance at December 31	**4**	4

Certain subsidiaries provide end of service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employee's length of service and the completion of a minimum service period.

b. Retirement Benefit Obligations

Certain subsidiaries provide pension arrangements to its full time employees through defined benefit plans and the related costs are assessed in accordance with the advice of professionally qualified actuaries.

One of the pension schemes has been closed to further accruals from June 1, 2013. The pensions for all active members at the closure date, which are based on service prior to closure, remain linked to final pensionable salary.

The numbers shown below have been based on calculations carried out by qualified independent actuaries to take into account the requirements of SFRS(I) 1-19 in order to assess the liabilities of the schemes at December 31, 2018, December 31, 2017 and January 1, 2017.

22. Retirement Benefit Obligations *(cont'd)*

b. Retirement Benefit Obligations *(cont'd)*

The present values of the funded defined benefit obligations, the related current service cost and, where applicable, past service cost was measured using the projected unit credit method. Details of the schemes are as follows:

(S$ million)	Group December 31, 2018	Group December 31, 2017	Group January 1, 2017
Present value of funded defined benefit obligations	**214**	242	239
Fair value of plan assets	**(213)**	(245)	(236)
Deficit / (Surplus) in scheme	**1**	(3)	3

The amounts included in the balance sheet are as follows:

(S$ million)	Group December 31, 2018	Group December 31, 2017	Group January 1, 2017
Retirement benefit obligations	**1**	–	3
Retirement benefit assets	*****	(3)	–
	1	(3)	3

The proportion of fair value of plan assets at the balance sheet is analysed as follows:

(S$ million)	Group December 31, 2018	Group December 31, 2017	Group January 1, 2017
Equity instruments	**34**	83	80
Debt instruments	**154**	136	134
Other assets	**25**	26	22
	213	245	236

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by the Group.

b. Retirement Benefit Obligations *(cont'd)*

Movement in Net Defined Benefit Liability / (Asset)

The following table shows reconciliation from the opening balances to the closing balances for net defined benefit liability / (asset) and its components.

(S$ million)	Defined benefit obligation 2018	Defined benefit obligation 2017	Fair value of plan assets 2018	Fair value of plan assets 2017	Net defined benefit liability / (asset) 2018	Net defined benefit liability / (asset) 2017
Group						
Balance at January 1	**242**	239	(245)	**(236)**	(3)	3
Included in income statement						
Service cost	**1**	1	*	**–**	1	1
Interest cost / (income)	**6**	6	(6)	**(6)**	*	–
	7	7	(6)	**(6)**	1	1
Included in other comprehensive income						
Re-measurements loss / (gain):						
Actuarial loss / (gain) arising from:						
– demographic assumptions	**(10)**	(4)	–	**–**	(10)	(4)
– financial assumptions	**2**	8	–	**–**	2	8
– experience adjustment	*****	1	–	**–**	*	1
Return on plan assets excluding interest income	**–**	–	12	**(9)**	12	(9)
Effect of movements in exchange rates	**(8)**	2	9	**(2)**	1	–
	(16)	7	21	**(11)**	5	(4)
Other						
Contributions paid by employer	**–**	–	(2)	**(3)**	(2)	(3)
Benefits paid	**(19)**	(11)	19	**11**	*	–
	(19)	(11)	17	**8**	(2)	(3)
Balance at December 31	**214**	242	(213)	**(245)**	1	(3)

The weighted average duration of the defined benefit obligation at the end of the reporting period is 17 (2017: 18; January 1, 2017: 19) years.

22. Retirement Benefit Obligations *(cont'd)*

b. Retirement Benefit Obligations *(cont'd)*

Principal Actuarial Assumptions

The main financial assumptions used by the independent qualified actuaries to calculate the liabilities under SFRS(I) 1-19 are as follows:

	Group		
	December 31, 2018 %	December 31, 2017 %	January 1, 2017 %
Discount rate at December 31	**2.8**	2.5	2.7
Future rate of pension increases	**1.9 – 3.1**	1.9 – 3.1	1.9 – 3.0

Assumptions regarding future mortality are based on published statistics and mortality tables. The expected remaining life expectancy of an individual retiring at age 65 is 21 (2017: 21; January 1, 2017: 21) for male and 24 (2017: 24; January 1, 2017: 25) for female.

A 1% increase / decrease in discount rate would have decreased / increased the defined benefit obligations by 15.7% / 20.0% (2017: 15.3% / 19.6%; January 1, 2017: 16.5% / 21.4%). A 1% increase / decrease in future rate of pension increases would have increased / decreased the defined benefit obligations by 12.6% / 12.4% (2017: 12.4% / 11.9%; January 1, 2017: 15.2% / 13.6%).

23. Interest-bearing Borrowings

(S$ million)	Note	Group December 31, 2018	December 31, 2017	January 1, 2017
Current Liabilities				
Secured term loans	(a)	**686**	695	548
Unsecured term loans	(b)	**1,174**	876	1,561
Bank overdrafts	16	**1**	–	16
Finance lease liabilities	(c)	**1**	1	1
		1,862	1,572	2,126
Non-current Liabilities				
Non-convertible debentures		**202**	11	11
Secured term loans	(a)	**3,063**	3,010	3,210
Unsecured term loans	(b)	**5,603**	5,251	3,873
Finance lease liabilities	(c)	**2**	3	2
		8,870	8,275	7,096
		10,732	9,847	9,222

Included in interest-bearing borrowings are S$840 million (2017: S$988 million; January 1, 2017: S$1,000 million) of loans taken with a related corporation.

Effective Interest Rates and Maturity of Liabilities (Excluding Finance Lease Liabilities)

	Group		
	December 31, 2018 %	December 31, 2017 %	January 1, 2017 %
Floating rate loans	**1.60 – 11.25**	1.34 – 12.40	1.59 – 16.05
Fixed rate loans	**0.77 – 11.48**	0.77 – 12.80	1.55 – 16.09
Bonds & notes	**2.94 – 4.25**	2.94 – 4.25	2.94 – 4.25
Debentures	**9.65 – 12.00**	12.00	12.00

23. Interest-bearing Borrowings *(cont'd)*

Effective Interest Rates and Maturity of Liabilities (Excluding Finance Lease Liabilities) *(cont'd)*

(S$ million)	Group December 31, 2018	December 31, 2017	January 1, 2017
Within 1 year	**1,861**	1,571	2,125
After 1 year but within 5 years	**5,801**	5,201	4,042
After 5 years	**3,067**	3,071	3,052
Total borrowings	**10,729**	9,843	9,219

a. Secured Term Loans

The secured term loans are collaterised by the following assets:

(S$ million)	Note	Group Net Book Value December 31, 2018	December 31, 2017	January 1, 2017
Property, plant and equipment	3(i)	**4,827**	4,983	4,973
Investment properties	4	**–**	39	40
Unit trusts and funds	7	**55**	54	32
Trade and other receivables	8	**1,285**	1,080	721
Intangible assets	12	*****	1	2
Inventories	14	**142**	128	89
Properties under development	14	**–**	66	67
Cash and cash equivalents	16	**293**	282	217
Equity shares of a subsidiary		**155**	568	724

b. Unsecured Term Loans

Included in the unsecured term loans are the following medium term notes of the Group:

The Company jointly with Sembcorp Financial Services Pte Ltd (SFS), a wholly-owned subsidiary of the Company, have established a S$2.5 billion Multicurrency Debt Issuance Programme (the "Programme"). Under the Programme, the Company, together with SFS and certain other subsidiaries of the Company (the "Issuing Subsidiaries"), may from time to time issue Notes and Securities under the Programme subject to availability of funds from the market. The obligations of the Issuing Subsidiaries under the Programme are fully guaranteed by the Company.

As at December 31, 2018, December 31, 2017 and January 1, 2017, SFS has the following outstanding medium term notes issued under the Programme:

(S$ million)	Nominal interest rate	Year of issue	Year of maturity	Principal amount December 31, 2018	December 31, 2017	January 1, 2017
S$ medium term notes	6 month SOR + 0.55%	2010	2017	**–**	–	100
S$ medium term notes	3.7325%	2010	2020	**300**	300	300
S$ medium term notes	4.25%	2010	2025	**100**	100	100
S$ medium term notes	3.64%	2013	2024	**200**	200	200
S$ medium term notes	2.94%	2014	2021	**100**	100	100
S$ medium term notes	3.593%	2014	2026	**150**	150	150
				850	850	950

Apart from the medium term notes issued by SFS, the Company has S$800 million outstanding perpetual securities of which S$200 million was issued in 2013 and another S$600 million in 2015 under the Programme. The perpetual securities are accounted as equity of the Group.

23. Interest-bearing Borrowings *(cont'd)*

Effective Interest Rates and Maturity of Liabilities (Excluding Finance Lease Liabilities) *(cont'd)*

b. Unsecured Term Loans *(cont'd)*

As at December 31, an amount of S$172 million (2017: S$189 million; January 1, 2017: S$165 million) medium term notes was held by a related corporation.

Sembcorp Marine Ltd (SCM), a subsidiary of the Company has a S$2 billion Multicurrency Multi-Issuer Debt Issuance Programme (the "Programme") pursuant to which SCM, together with its subsidiaries, Jurong Shipyard Pte Ltd, Sembcorp Marine Repairs & Upgrades Pte Ltd and Sembcorp Marine Offshore Platforms Pte Ltd (formerly known as SMOE Pte Ltd) (the "Issuing SCM Subsidiaries"), may from time to time issue notes (the "Notes") and / or perpetual securities (the "Perpetual Securities"), and together with the Notes (the "Securities"), denominated in Singapore dollars and / or any other currency as the relevant Issuer and the relevant dealer may agree. The obligations in respect of Securities issued by the Issuing Subsidiaries will be unconditionally and irrevocably guaranteed by SCM.

Under the Programme, SCM or any of the Issuing SCM Subsidiaries may from time to time issue notes in series or tranches in Singapore Dollars or any other currency. Such notes are listed on the Singapore Exchange Securities Trading Limited and are cleared through the Central Depository (Pte) Ltd. The notes are redeemable at par.

As at December 31, 2018, December 31, 2017 and January 1, 2017, Jurong Shipyard Pte Ltd, a subsidiary of SCM, has the following outstanding medium term notes under the Programme:

(S$ million)	Nominal interest rate	Year of issue	Year of maturity	Principal amount
S$ medium term notes	2.95%	2014	2021	275
S$ medium term notes	3.85%	2014	2029	325
				600

As at December 31, 2018, an amount of S$168 million (2017: S$168 million; January 1, 2017: S$168 million) medium term notes was held by a related corporation.

c. Finance Lease Liabilities

The Group has obligations under finance leases that are payable as follows:

	December 31, 2018			December 31, 2017			January 1, 2017		
(S$ million)	Payments	Interest	Principal	Payments	Interest	Principal	Payments	Interest	Principal
Group									
Within 1 year	**1**	*****	**1**	1	–	1	1	–	1
After 1 year but within 5 years	**2**	*****	**2**	3	1	2	2	1	1
After 5 years	**–**	**–**	**–**	2	1	1	2	1	1
Total	**3**	*****	**3**	6	2	4	5	2	3

Under the terms of the lease agreements, no contingent rents are payable. The interest rates range from 4.85% to 10.25% (2017: 1.60% to 18.27%; January 1, 2017: 1.75% to 14.70%) per annum.

23. Interest-bearing Borrowings *(cont'd)*

Effective Interest Rates and Maturity of Liabilities (Excluding Finance Lease Liabilities) *(cont'd)*

c. Finance Lease Liabilities *(cont'd)*

Reconciliation of movements of liabilities to cash flows arising from financing activities:

(S$ million)	Accrued interest payable (Note 17)	Interest-bearing borrowings* (Note 23)	Finance lease liabilities (Note 23)	Total
Balance at January 1, 2018	43	9,843	4	9,890
Cash flows				
Cash payments	–	(2,156)	–	(2,156)
Cash proceeds	–	3,011	–	3,011
Interest paid	(486)	–	–	(486)
Non-cash items				
Acquisition of subsidiary	–	244	1	245
Disposal of subsidiary	–	(2)	(2)	(4)
Interest expenses, including amortisation of capitalised transaction costs	484	2	–	486
New finance lease	–	–	1	1
Foreign exchange movement	1	(214)	(1)	(214)
	485	30	(1)	514
Balance at December 31, 2018	42	10,728	3	10,773
Balance at January 1, 2017	45	9,203	3	9,251
Cash flows				
Cash payments	–	(2,427)	(1)	(2,428)
Cash proceeds	–	3,206	–	3,206
Interest paid	(484)	–	–	(484)
Non-cash items				
Capitalised borrowing cost	–	1	–	1
Interest expenses, including amortisation of capitalised transaction costs	482	14	–	496
New finance lease	–	–	2	2
Foreign exchange movement	–	(154)	–	(154)
	482	(139)	2	345
Balance at December 31, 2017	43	9,843	4	9,890

* Excluding finance lease liabilities and bank overdrafts.

24. Share Capital

	Group and Company No. of ordinary shares 2018	2017
Issued and fully paid, with no par value:		
At the beginning and end of the year	**1,787,547,732**	1,787,547,732

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

25. Other Reserves

(S$ million)	Note	Group December 31, 2018	Group December 31, 2017	Group January 1, 2017	Company December 31, 2018	Company December 31, 2017	Company January 1, 2017
Distributable							
Reserve for own shares	(a)	**(9)**	*	(5)	**(9)**	–	(5)
Non-distributable							
Currency translation reserve	(b)	**(390)**	(265)	(124)	**–**	–	–
Capital reserve	(c)	**183**	160	109	**(149)**	(141)	(132)
Merger reserve	(d)	**29**	29	29	**–**	–	–
Share-based payments reserve	(e)	**(8)**	(9)	(14)	**151**	143	130
Fair value reserve	(f)	**34**	27	21	**–**	–	–
Hedging reserve	(g)	**(87)**	(27)	(78)	**–**	–	–
		(248)	(85)	(62)	**(7)**	2	(7)

a. Reserve for Own Shares
At December 31, 2018, the Company held 3,100,138 (2017: 42,827; January 1, 2017: 1,990,038) of its own uncancelled shares as treasury shares.

b. Currency Translation Reserve
The currency translation reserve comprises:

i. Foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group;

ii. Exchange differences on monetary items which form part of the Group's net investment in foreign operations; and

iii. Gains or losses on instruments used to hedge the Group's net investment in foreign operations that are determined to be effective hedges.

c. Capital reserve comprises acquisitions and disposals with non-controlling interests that do not result in a change of control, capitalisation of accumulated profits for the issue of bonus shares, capital reserve (net of goodwill) on consolidation and equity accounting, asset revaluation reserve, capital redemption reserve, convertible loan stock reserve and transfer from revenue reserve in accordance with the regulations of the foreign jurisdiction in which the Group's subsidiaries, associates and joint ventures operate, and treasury shares of a subsidiary.

Capital reserve also comprises the recognition of call options issued to non-controlling interests of subsidiaries, as these options are regarded as equity instruments, when they are settled by the delivery of a fixed number of equity shares for a fixed amount of cash.

d. Merger reserve represents the difference between the values of shares issued by the Company in exchange for the value of shares acquired in respect of the acquisition of subsidiaries accounted for under the pooling-of-interest method.

e. Share-based payments reserve comprises the cumulative value of services received from employees recorded on grant of equity-settled share options, performance shares and performance based restricted shares. The expense for service received is recognised over the performance period and / or vesting period. The amount in the share-based payments reserve is retained when the options are exercised or expired.

f. Fair value reserve includes the cumulative net change in the fair value of equity investments designated at FVOCI (2017: available-for-sale investments) until the investments are derecognised. This does not include impairment losses recognised in profit or loss prior to January 1, 2018.

g. Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

26. Perpetual Securities

On August 21, 2018, the Company has redeemed and cancelled S$200 million, 5% subordinated perpetual securities.

On June 22, 2017, the Company issued subordinated perpetual securities with an aggregate principal amount of S$200 million. Incremental costs incurred amounting to S$1 million was recognised in equity as a deduction from proceeds.

On May 20, 2015, the Company issued subordinated perpetual securities with an aggregate principal amount of S$600 million. Incremental costs incurred amounting to S$3 million was recognised in equity as a deduction from proceeds.

On August 21, 2013, the Company issued subordinated perpetual securities with an aggregate principal amount of S$200 million. Incremental costs incurred amounting to S$1 million was recognised in equity as a deduction from proceeds.

Such perpetual securities bear distributions at a rate of 3.70% to 4.75% per annum, payable semi-annually. Subject to the relevant terms and conditions in the offering memorandum, the Company may elect to defer making distributions on the perpetual securities, and is not subject to any limits as to the number of times a distribution can be deferred.

As a result, the perpetual securities do not meet the definition for classification as a financial liability under SFRS(I) 1-32 *Financial Instruments: Presentation*. The whole instrument is presented within equity, and distributions are treated as dividends.

During the financial year, distributions amounting to S$43 million (2017: S$43 million) were accrued to perpetual security holders.

As at December 31, 2018, an amount of S$7 million (2017: S$24 million; January 1, 2017: S$17 million) perpetual securities was held by a related corporation.

27. Other Comprehensive Income

Tax effects relating to each component of OCI:

(S$ million)	Group 2018 Before tax	Group 2018 Tax expense	Group 2018 Net of tax	Group 2017 Before tax	Group 2017 Tax expense	Group 2017 Net of tax
Foreign currency translation differences for foreign operations	**(160)**	**–**	**(160)**	(139)	–	(139)
Exchange differences on monetary items forming part of net investment in a foreign operation	**(1)**	**–**	**(1)**	(6)	–	(6)
Share of other comprehensive income of associates and joint ventures	**31**	**–**	**31**	54	–	54
Cash flow hedges: net movement in hedging reserves (Note (a))	**(125)**	**23**	**(102)**	34	(7)	27
Financial assets at FVOCI (2017: Available-for-sale financial assets): net movement in fair value reserve (Note (b))	**(4)**	*****	**(4)**	5	–	5
Realisation of reserve upon disposal / liquidation of subsidiaries	**19**	**–**	**19**	(16)	–	(16)
Realisation of reserve upon disposal of assets held for sale	**–**	**–**	**–**	(20)	–	(20)
Defined benefit plan actuarial gains and losses	**(5)**	**1**	**(4)**	4	(1)	3
Other comprehensive income	**(245)**	**24**	**(221)**	(84)	(8)	(92)

27. Other Comprehensive Income *(cont'd)*

(S$ million)	Group 2018	2017
a. Cash flow hedges:		
Net change in fair value of hedging instruments	**50**	55
Amount reclassified to profit or loss	**(175)**	(20)
Tax expense	**23**	(8)
Net movement in the hedging reserve during the year recognised in OCI	**(102)**	27
b. Financial assets as FVOCI (2017: Available-for-sale financial assets):		
Changes in fair value	**4**	38
Amount reclassified to profit or loss	**	(33)
Tax expense	*	–
Net changes in fair value during the year recognised in OCI	**4**	5

** Not applicable for 2018

28. Turnover

(S$ million)	Note	Group 2018	2017
Revenue from contracts with customers	(a)	**11,634**	8,966
Charter hire and rental income		**55**	60
		11,689	9,026

The amount of revenue recognised in 2018 from performance obligations satisfied or partially satisfied in previous periods, mainly due to change in estimate for the transaction price is S$nil (2017: S$6 million).

Construction and engineering related activities for Utilities include service concession revenue. Included in service concession revenue is interest revenue of S$53 million (2017: S$43 million).

28. Turnover *(cont'd)*

a. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers (including revenue related to a discontinued operation) is disaggregated by primary geographical markets, major product / service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Reportable segments				
(S$ million)	Utilities	Marine	Urban Development	All other segments	Total
2018					
Primary geographical markets					
Singapore	3,814	154	–	233	4,201
China	216	2	–	1	219
India	1,685	1	–	*	1,686
Rest of Asia	200	421	3	21	645
Middle East & Africa	109	7	–	–	116
UK	454	195	–	*	649
Rest of Europe	–	913	–	–	913
Norway	3	1,627	–	*	1,630
Brazil	–	243	–	–	243
USA	–	1,185	–	*	1,185
Others	55	92	–	*	147
Total	6,536	4,840	3	255	11,634
Major product / service lines					
Provision of energy products and related services (including electricity, gas and steam)	5,694	–	–	–	5,694
Provision of water products and related services	247	–	–	–	247
Ship and rig repair, building, conversion and related services	–	4,808	–	–	4,808
Construction and engineering related activities	246	–	–	210	456
Others	349	32	3	45	429
Total	6,536	4,840	3	255	11,634
Timing of revenue recognition					
Over time	6,514	2,441	1	209	9,165
At a point in time	22	2,399	2	46	2,469
Total	6,536	4,840	3	255	11,634

28. Turnover *(cont'd)*

a. Disaggregation of revenue from contracts with customers *(cont'd)*

(S$ million)	Reportable segments: Utilities	Marine	Urban Development	All other segments	Total
2017					
Primary geographical markets					
Singapore	3,033	273	–	273	3,579
China	152	2	–	*	154
India	1,592	3	–	*	1,595
Rest of Asia	453	197	5	13	668
Middle East & Africa	105	58	–	–	163
UK	312	745	–	*	1,057
Rest of Europe	–	819	–	*	819
Norway	–	242	–	–	242
Brazil	–	213	–	–	213
USA	–	177	–	*	177
Others	50	249	–	*	299
Total	5,697	2,978	5	286	8,966
Major product / service lines					
Provision of energy products and related services (including electricity, gas and steam)	4,617	–	–	–	4,617
Provision of water products and related services	233	–	–	–	233
Ship and rig repair, building, conversion and related services	–	2,950	–	–	2,950
Construction and engineering related activities	533	–	–	253	786
Others	314	28	5	33	380
Total	5,697	2,978	5	286	8,966
Timing of revenue recognition					
Over time	5,697	2,444	4	252	8,397
At a point in time	–	534	1	34	569
Total	5,697	2,978	5	286	8,966

28. Turnover *(cont'd)*

b. Transaction price allocated to remaining performance obligation

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at reporting date. This is estimated based on the expected progress of the projects or expected energy output.

(S$ million)	2018: Within the next 12 months	Between 1 to 5 years	More than 5 years	Total
Segment				
Utilities	1,522	5,413	2,247	9,182
Marine	2,175	913	–	3,088
Urban development	285	–	–	285
Others	368	511	2	881
Total	4,350	6,837	2,249	13,436

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

Estimated amounts of considerations which are variable in nature are not included in the disclosure of transaction price allocated to the remaining performance obligations.

The Group applies the practical expedient in paragraph C5(c) of SFRS(I) 15 for performance obligation disclosures. This means that for periods presented before the initial application date, the amount of the transaction price allocated to the remaining performance obligations and an explanation of when that revenue was recognised are not disclosed.

29. Finance Income and Finance Costs

(S$ million)	Note	Group 2018	2017
Finance income			
Finance income from financial assets measured at amortised costs (2017: loans and receivables):			
– associates and joint ventures		**7**	9
– bank and others		**69**	34
Significant financing component from contracts with customers		**11**	11
		87	54
Finance costs			
Interest paid and payable to, measured at amortised cost (2017: loans and receivables):			
– banks and others		**469**	480
Amortisation of capitalised transaction costs		**17**	16
Unwind of discount on restoration costs	20	**3**	5
Significant financing component from contracts with customers		**4**	1
Interest rate swaps:			
– changes in fair value through profit or loss		**15**	25
– ineffective portion of changes in fair value		*****	–
		508	527

30. Tax Expense

(S$ million)	Group 2018	2017
Current tax expense		
Current year	**107**	114
Over provided in prior years	**(39)**	(66)
Foreign withholding tax	**27**	5
	95	53
Deferred tax expense		
Movements in temporary differences	**(27)**	21
Under provided in prior years	**28**	44
Effect of changes in tax rates	**(8)**	*
	(7)	65
Tax expense	**88**	118
Reconciliation of effective tax rate		
Profit for the year	**332**	493
Total tax expense	**88**	118
Share of results of associates and joint ventures, net of tax	**(174)**	(164)
Profit before share of results of associates and joint ventures, and tax expense	**246**	447
Tax using Singapore tax rate of 17%	**42**	76
Effect of changes in tax rates	**(8)**	*
Effect of different tax rates in foreign jurisdictions	**19**	(12)
Tax incentives and income not subject to tax	**(38)**	(61)
Expenses not deductible for tax purposes	**52**	50
Utilisation of deferred tax benefits not previously recognised	**(53)**	(4)
Over provided in prior years	**(11)**	(22)
Deferred tax benefits not recognised	**59**	90
Foreign withholding tax	**27**	5
Tax adjustment on changes in undistributed profits from foreign entities	*	*
Others	**(1)**	(4)
Tax expense	**88**	118

31. Profit for the Year

The following items have been included in arriving at profit for the year:

(S$ million)	Note	Group 2018	2017
a. Expenses			
Allowance for / (write-back of) impairment losses (net)			
– property, plant and equipment	3	**5**	26
– receivables and contract assets		**3**	(16)
– contract cost		**–**	(20)
(Write-back) / Allowance for stock obsolescence		**(1)**	10
Amortisation of intangible assets	12	**47**	40
Audit fees paid / payable			
– auditors of the Company		**2**	2
– other member firms of KPMG International		**2**	1
– other auditors		**1**	1
Non-audit fees paid / payable			
– auditors of the Company		**1**	1
– other member firms of KPMG International		**1**	1
– other auditors		**1**	1
Depreciation			
– property, plant and equipment	3	**547**	530
– investment properties	4	**1**	1
Operating lease expenses		**22**	27
Property, plant and equipment written off		**11**	3
Intangible assets written off	12	*	*
Bad debts (written back) / written off		*	*
Provision for fines		**25**	25
Net change in fair value of cash flow hedges		**(70)**	(24)
Staff costs			
Staff costs		**790**	839
Included in staff costs are:			
Equity-settled share-based payments		**11**	17
Cash-settled share-based payments		**2**	3
Contributions to:			
– defined benefit plan		**1**	1
– defined contribution plan		**49**	51

31. Profit for the Year *(cont'd)*

(S$ million)	Note	Group 2018	Group 2017
b. Other operating income			
Grants received			
– income related		**7**	8
Gain / (loss) on disposal of property, plant and equipment		**4**	(2)
Net exchange (loss) / gain		**(22)**	8
Net change in fair value of cash flow hedges		**(2)**	2
Net change in fair value of fair value hedges		**(1)**	(4)
Net change in fair value of financial assets at FVTPL (designated on initial recognition)		*****	–
Net change in fair value of financial assets at FVTPL (mandatorily measured)		**18**	(3)
Gain from derecognition of financial assets		**4**	22
c. Non-operating income and (expenses)			
Gross dividend income from financial assets at FVOCI (2017: available-for-sale financial assets)		*****	*
Gain on disposal / liquidation of:			
– subsidiaries		**11**	5
– joint venture / associate		**18**	–
– business		**15**	–
– assets / investments held for sale		**–**	47
Allowance for impairment losses (net)			
– goodwill	12	**(1)**	(26)
– associates		**–**	4
Negative goodwill		*****	*
Assumption of liabilities on behalf of a joint venture		**–**	(11)
Impairment losses on available-for-sale financial assets	7	******	(2)

** Not applicable for 2018

32. Non-controlling Interests

The following subsidiaries have material non-controlling interests:

Name of company	Country of incorporation	Operating Segment	Ownership interests held by non-controlling interests December 31, 2018 %	December 31, 2017 %	January 1, 2017 %
Sembcorp Marine Group	Singapore	Marine	**39**	39	39
Sembcorp Energy India Limited (SEIL)*	India	Utilities	**6**	–	–
SEIL (Project I), formerly known as Sembcorp Energy India Ltd* (India Thermal Energy)	India	Utilities	**–**	13	13
SEIL (Project II), formerly known as Sembcorp Gayatri Power Limited* (India Thermal Energy)	India	Utilities	**–**	12	12

* In 2018, the two India Thermal Energy projects have amalgamated into SEIL. The Group has also reorganised its India energy business and its equity stake in SEIL increased from 86.87% to 93.70% and Sembcorp Green Infra Ltd (SGI) became a wholly-owned subsidiary of SEIL

32. Non-controlling Interests *(cont'd)*

The following summarises the financial information of the Group's subsidiaries with material non-controlling interests, based on its (consolidated) financial statements prepared in accordance with SFRS(I):

(S$ million)	Sembcorp Marine Group	Sembcorp Energy India Group
2018		
Revenue	4,888	1,686
(Loss) / profit for the year	(78)	27
Other comprehensive income	(36)	(113)
Total comprehensive income	**(114)**	**(86)**
Attributable to non-controlling interests:		
(Loss) / profit for the year	(33)	4
Other comprehensive income	(17)	(9)
Total comprehensive income	**(50)**	**(5)**
Non-current assets	5,617	5,167
Current assets	2,960	1,216
Non-current liabilities	(3,466)	(3,406)
Current liabilities	(2,763)	(1,563)
Net assets	**2,348**	**1,414**
Net assets attributable to non-controlling interests	**931**	**106**
Cash flows (used in) / from operating activities	(170)	397
Cash flows used in investing activities	(382)	(707)
Cash flows from financing activities	89	344
Net (decrease) / increase in cash and cash equivalents	**(463)**	34
Dividends paid to non-controlling interests	**(8)**	–

32. Non-controlling Interests *(cont'd)*

(S$ million)	Sembcorp Marine Group	India Thermal Energy
2017		
Revenue	3,035	1,483
Profit / (loss) for the year	256	(149)
Other comprehensive income	(44)	(10)
Total comprehensive income	**212**	**(159)**
Attributable to non-controlling interests:		
Profit / (loss) for the year	97	(18)
Other comprehensive income	(18)	*
Total comprehensive income	**79**	**(18)**
Non-current assets	4,599	3,789
Current assets	5,093	851
Non-current liabilities	(3,565)	(2,820)
Current liabilities	(3,647)	(853)
Net assets	**2,480**	**967**
Net assets attributable to non-controlling interests	**987**	**124**
Cash flows from operating activities	50	283
Cash flows from / (used in) investing activities	65	(36)
Cash flows used in financing activities	(24)	(278)
Net increase / (decrease) in cash and cash equivalents	**91**	**(31)**
Dividends paid to non-controlling interests	**(17)**	**–**

33. Earnings Per Share

(S$ million)	Group 2018	Group 2017
a. Basic earnings per share		
Basic earnings per share is based on:		
i. Profit attributable to owners of the Company:		
Profit attributable to equity holders of the Company	**347**	383
Less: Profit attributable to perpetual security holders of the Company	**(43)**	(43)
Profit attributable to owners of the Company	**304**	340
	No. of shares in million	**No. of shares in million**
ii. Weighted average number of ordinary shares:		
Issued ordinary shares at January 1	**1,787**	1,786
Effect of share options exercised, performance shares and restricted shares released	**1**	2
Effect of own shares held	**(2)**	(1)
Weighted average number of ordinary shares at December 31	**1,786**	1,787

33. Earnings Per Share *(cont'd)*

(S$ million)	Group 2018	Group 2017
b. Diluted earnings per share		
Diluted earnings per share is based on:		
i. Profit attributable to owners of the Company:		
Profit attributable to equity holders of the Company	**347**	383
Less: Profit attributable to perpetual security holders of the Company	**(43)**	(43)
Profit attributable to owners of the Company	**304**	340
	No. of shares in million	**No. of shares in million**
ii. Weighted average number of shares issued used in the calculation of basic earnings per share	**1,786**	1,787
Weighted average number of unissued ordinary shares from:		
– performance shares	**3**	3
– restricted shares	**7**	12
Weighted average number of ordinary shares	**1,796**	1,802

For the purpose of calculating diluted earnings per ordinary share, the weighted average number of ordinary shares outstanding is adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: performance shares and restricted shares.

The weighted average number of ordinary shares in issue is adjusted as if all dilutive performance shares and restricted shares are released. No adjustment is made to the profit attributable to owners of the Company.

34. Dividends

Subject to the approval by the shareholders at the next Annual General Meeting, the directors have proposed a final ordinary one-tier tax exempt dividend of 2 cents per share (2017: one-tier tax exempt dividend of 2 cents per share) amounting to an estimated net dividend of S$36 million (2017: S$36 million) in respect of the year ended December 31, 2018, based on the number of issued shares as at December 31, 2018.

The proposed dividend of 2 (2017: 2) cents per share has not been included as a liability in the financial statements.

(S$ million)	Group and Company 2018	Group and Company 2017
Dividend paid		
Interim one-tier tax exempt dividend of 2 cents per share in respect of year 2018 (2017: 3 cents per share in respect of year 2017)	**36**	54
Final one-tier tax exempt dividend of 2 cents per share in respect of year 2017 (2017: 4 cents per share in respect of year 2016)	**35**	71
	71	125

35. Share-based Incentive Plans

The Company's Performance Share Plan (SCI PSP 2010) and Restricted Share Plan (SCI RSP 2010) (collectively, the "2010 Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on April 22, 2010. The 2010 Share Plans replaced the Share Plans which were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on June 5, 2000 and expired in 2010.

The Executive Resource & Compensation Committee (the "Committee") of the Company is designated as the Committee responsible for the administration of the Share Plans. The Committee comprises the following members, all of whom are directors:

Ang Kong Hua *(Chairman)*
Margaret Lui
Tan Sri Mohd Hassan Marican
Nicky Tan Ng Kuang
Tham Kui Seng *(Appointed on May 1, 2018)*

The SCI RSP 2010 is the incentive scheme for directors and employees of the Group whereas SCI PSP 2010 is aimed primarily at key executives of the Group.

The 2010 Share Plans are intended to increase the Company's flexibility and effectiveness in its continuing efforts to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of the Group. The 2010 Share Plans use methods fairly common among major local and multinational companies to incentivise and motivate key senior management and senior executives to achieve pre-determined targets which create and enhance economic value for shareholders.

They provide incentives to high performing senior management and senior executives to excel in their performance and encourage greater dedication and loyalty to the Company. Through the 2010 Share Plans, the Company is able to motivate senior management and senior executives to continue to strive for the Group's long-term shareholder value. In addition, the 2010 Share Plans aim to foster a greater ownership culture within the Group to align the interests of participants with the interests of shareholders, and to improve performance and achieve sustainable growth for the Company in the changing business environment. Generally, it is envisaged that the range of performance targets to be set under the SCI PSP 2010 and the SCI RSP 2010 will be different, with the former emphasising stretched or strategic targets aimed at sustaining longer term growth.

While the 2010 Share Plans cater principally to Group executives, it is recognised that there are other persons who can make significant contributions to the Group through their close working relationship with the Group. Such persons include employees of associated companies over which the Company has operational control.

A participant's award under the 2010 Share Plans will be determined at the sole discretion of the Committee. In considering an award to be granted to a participant, the Committee may take into account, *inter alia*, the participant's performance during the relevant period, and his / her capability, entrepreneurship, scope of responsibility and skill set.

35. Share-based Incentive Plans *(cont'd)*

Other information regarding the 2010 Share Plans is as follows:

a. Performance Share Plan

Under the SCI PSP 2010, the awards granted are conditional on performance targets set based on medium-term corporate objectives at the start of each rolling three-year performance qualifying period. For awards granted in 2017 and earlier, a specific number of performance shares will be awarded at the end of the three-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset. During the year, SCI PSP 2010 was updated after a review of the Group's long-term business plans. Following this review, for awards granted from 2018 onwards, depending on the extent of the achievement of performance conditions during a three-year period, 50% of the final performance shares will vest at the end of three-year performance period, and the remaining 50% will vest in the subsequent year.

For awards granted from 2014 onwards, the performance levels were calibrated based on Wealth Added, Total Shareholder Return and Earnings Per Share. A minimum threshold performance must be realised to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Performance shares to be delivered will range between 0% to 150% of the conditional performance shares awarded.

To create alignment between senior management and other employees at the time of vesting, SCI PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2017 to 2019 will be vested to the senior management participants only if the restricted shares for the performance period 2018 to 2019 are vested, subject to the achievement of the performance conditions for the respective performance periods.

For awards granted from 2018 onwards, the performance was calibrated based on Total Shareholder Return and transformation outcomes. The transformation criteria comprise goals on Return on Equity (excluding Sembcorp Marine Ltd), Total Renewable Capacity and implementation of digital initiatives. A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Performance shares to be delivered will range from 0% to 150% of the conditional performance shares awarded.

Senior management participants are required to hold a minimum percentage of the shares released to them under the SCI PSP 2010 to maintain a stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold, but in the event of a shortfall, they have a two-calendar year period to meet the minimum percentage requirement.

i. Sembcorp Industries Ltd Performance Shares

The details of the movement of the performance shares of Sembcorp Industries Ltd awarded during the financial year since commencement of the Performance Share Plan (aggregate) are as follows:

	2018	2017
At January 1	**2,403,303**	2,418,250
Conditional performance shares awarded	**1,982,000**	889,553
Conditional performance shares lapsed	**(40,000)**	(304,500)
Performance shares lapsed arising from targets not met	**(743,750)**	(600,000)
At December 31	**3,601,553**	2,403,303

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2015 to 2017 (2017: performance period 2014 to 2016), no performance shares were released via the issuance of treasury shares (2017: nil).

In 2018, 743,750 (2017: 600,000) performance shares were lapsed for under-achievement of the performance targets for the performance period 2015 to 2017 (2017: 2014 to 2016).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end December 31, 2018, was 3,601,553 (2017: 2,403,303). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 5,402,329 (2017: 3,604,954) performance shares.

35. Share-based Incentive Plans *(cont'd)*

a. Performance Share Plan *(cont'd)*

ii. Performance shares of a listed subsidiary

The details of the movement of the performance shares of Sembcorp Marine Ltd awarded during the year are as follows:

	2018	2017
At January 1	**4,733,000**	4,513,000
Conditional performance shares awarded	**1,168,000**	1,600,000
Conditional performance shares lapsed	**(598,000)**	–
Performance shares lapsed arising from targets not met	**(1,215,000)**	(1,380,000)
At December 31	**4,088,000**	4,733,000

No performance shares of Sembcorp Marine Ltd were awarded to the directors of the Company.

In 2018, 1,215,000 (2017: 1,380,000) performance shares were lapsed due to under-achievement of the performance targets for the performance period 2015 to 2017 (2017: 2014 to 2016).

With the Sembcorp Marine Ltd Executive Resource & Compensation Committee's (Sembcorp Marine Ltd Committee) approval on the achievement factor for performance targets for the performance period 2015 to 2017 (2017: performance period 2014 to 2016), no performance shares were released via the issuance of treasury shares in 2018 (2017: nil).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at December 31, 2018, was 4,088,000 (2017: 4,733,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 6,132,000 (2017: 7,099,500) performance shares.

Fair value of performance shares

The fair values of the performance shares are estimated using a Monte Carlo simulation methodology at the grant dates.

The fair values of performance shares granted during the year are as follows:

	Fair value of Sembcorp Industries Ltd performance shares granted on August 14, 2018	Fair value of Sembcorp Industries Ltd performance shares granted on May 15, 2017	Fair value of Sembcorp Marine Ltd performance shares granted on August 23, 2018	Fair value of Sembcorp Marine Ltd performance shares granted on May 26, 2017
Fair value at measurement date	S$1.29	S$2.69	S$1.94	S$1.45
Assumptions under the Monte Carlo model				
Share price	S$2.73	S$3.18	S$1.93	S$1.69
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	21.6%	29.5%	39.8%	35.1%
Morgan Stanley Capital International (MSCI) AC Asia Pacific excluding Japan Industrials Index	–	13.9%	12.2%	14.0%
Correlation with MSCI	–	48.3%	41.5%	76.3%
Risk-free interest rate	2.0%	1.2%	1.9%	1.3%
Expected dividend	3.2%	3.6%	1.8%	2.9%

The expected volatility is based on the historical volatility over the most recent period that is close to the expected life of the performance shares.

During the year, the Group charged S$2 million (2017: S$2 million) to the profit or loss based on the fair value of the performance shares at the grant date being expensed over the vesting period.

35. Share-based Incentive Plans *(cont'd)*

b. Restricted Share Plan

Award granted until 2017

Under the SCI RSP 2010, the awards granted until 2017 were conditional on performance targets set based on corporate objectives at the start of each rolling two-year performance qualifying period. For awards granted in 2017, the performance criteria for the restricted shares are calibrated based on Return on Total Assets and Group Profit from Operations (both excluding Sembcorp Marine Ltd).

A minimum threshold performance must be realised to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Based on the criteria, restricted shares to be delivered will range from 0% to 150% of the conditional restricted shares awarded.

A specific number of restricted shares will be awarded at the end of the two-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset. There is a further vesting period of three years after the performance period, during which one-third of the awarded shares are released each year to managerial participants. Non-managerial participants will receive the equivalent in cash at the end of the two-year performance cycle, with no further vesting conditions.

Award granted in 2019

After a comprehensive review of the Group's total remuneration structure, with effect from FY 2019, shares will be granted to eligible employees under the SCI RSP 2010 based on financial performance and corporate objectives achieved in the preceding year. The performance criteria for FY 2019 restricted shares awards granted are calibrated based on EBITDA and ROE (excluding Sembcorp Marine Ltd), and non-financial performance targets, comprising transformation milestones and adherence to environment, health and safety standards achieved by the Group for FY 2018.

Senior management participants are required to hold a minimum percentage of the shares released to them under the Restricted Share Plan to maintain a stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two-calendar year period to meet the minimum percentage requirement.

To align the interests of the non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted shares awards under the SCI RSP 2010.

From 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Neil McGregor, who is the Group President & CEO, and who did not receive any directors' fees). In 2017, the awards granted comprised of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares awarded to each non-executive director will be determined by reference to the volume-weighted average price of a share on the Singapore Exchange (SGX) over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the AGM (or, if the resolution to approve the final dividend is not approved, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash. A non-executive director who steps down before the payment of the share component will receive all of the director's fees for the year (calculated on a pro-rated basis, where applicable) in cash.

For managerial participants, a quarter of the awards granted will vest immediately depending on the fulfilment of the criteria outlined above. The remaining three-quarters of the awards will vest over the following three years in equal tranches, subject to individual performance and fulfilment of service conditions at vesting.

The managerial participants of the Group will be awarded restricted shares under SCI RSP 2010, while the non-managerial participants of the Group will receive their awards in an equivalent cash value. This cash-settled notional restricted shares award for non-managerial participants is known as the Sembcorp Challenge Bonus.

35. Share-based Incentive Plans *(cont'd)*

b. Restricted Share Plan *(cont'd)*

i. Sembcorp Industries Ltd Restricted Shares (awarded until 2017)

The details of the movement of the restricted shares based on the SCI RSP 2010 of Sembcorp Industries Ltd awarded during the year are as follows:

	2018	2017
At January 1	**9,727,916**	9,095,728
Conditional restricted shares awarded	**178,600**	3,554,234
Conditional restricted shares lapsed	**(707,698)**	(247,977)
(Restricted shares lapsed due to under-achievement of targets) / Additional restricted shares awarded due to over-achievement of targets	**(1,441,095)**	589,655
Conditional restricted shares released	**(2,675,126)**	(3,263,724)
At December 31	**5,082,597**	9,727,916

With the Committee's approval on the achievement factor for performance targets for the performance period 2016 to 2017, a total of 765,993 restricted shares were released in 2018. For awards in relation to the performance period 2015 to 2016, a total of 1,019,562 (2017: 1,422,285) were released in 2018. For awards in relation to the performance period 2014 to 2015, 698,350 restricted shares were released in 2018 (2017: 940,410). For awards in relation to the performance period 2013 to 2014, 696,429 restricted shares were released in 2017. In 2018, there were 178,600 (2017: 204,600) shares released to non-executive directors. In 2018, there were additional 12,621 shares released to employees due to sale of a subsidiary. Of the restricted shares released, 55,437 (2017: 36,513) restricted shares were cash-settled. The remaining restricted shares were released via the issuance of treasury shares.

In 2018, 1,441,095 shares were lapsed due to under-achievement of the performance targets for the performance period 2016 to 2017; in 2017, additional 589,655 restricted shares were awarded for the over-achievement of the performance targets for the performance period 2015 to 2016.

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2018, was 5,082,597 (2017: 9,727,916). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 2,992,934 (2017: 6,947,566). Based on the multiplying factor, the actual release of the conditional awards could range due to zero to a maximum of 4,489,401 (2017: 10,421,349) restricted shares.

Awards for the performance and corporate objectives achieved in 2018 will be granted in FY 2019.

Sembcorp Challenge Bonus

With the Committee's approval on the achievement factor for performance targets for the performance period 2016 to 2017 (2017: performance period 2015 to 2016), a total of S$0.9 million, equivalent to 258,928 (2017: S$1.6 million, equivalent to 438,253) notional restricted shares, were paid. No (2017: 660,000) notional restricted shares of Sembcorp Industries Ltd's shares were awarded in 2018 for the Sembcorp Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at end 2018, was 660,000 (2017: 1,226,000). The number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 990,000 (2017: 1,839,000).

35. Share-based Incentive Plans *(cont'd)*

b. Restricted Share Plan *(cont'd)*

ii. Restricted shares of a listed subsidiary

The details of the movement of the restricted shares of Sembcorp Marine Ltd awarded during the year are as follows:

	2018	2017
At January 1	**15,383,413**	13,716,142
Conditional restricted shares awarded	**8,123,988**	8,176,450
Conditional restricted shares lapsed	**(624,821)**	(798,920)
Restricted shares lapsed arising from targets not met	**(6,078,150)**	(3,923,317)
Conditional restricted shares released	**(1,187,703)**	(1,786,942)
At December 31	**15,616,727**	15,383,413

With the Sembcorp Marine Ltd Committee's approval on the achievement factor for performance targets for the performance period 2016 to 2017, a total of 395,199 restricted shares were released in 2018. For awards in relation to the performance period 2015 to 2016, a total of 198,575 (2017: 266,891) restricted shares were released in 2018. For awards in relation to the performance period 2014 to 2015, a total of 318,129 (2017: 386,942) restricted shares were released in 2018. For awards in relation to the performance period 2013 to 2014, no restricted shares were released in 2018 (2017: 733,009). In 2018, there were 275,800 (2017: 400,100) restricted shares released to non-executive directors. The restricted shares were released via the issuance of treasury shares.

In 2018, 6,078,150 (2017: 3,923,317) Sembcorp Marine Ltd's restricted shares lapsed due to under-achievement of the performance targets for the performance period 2016 to 2017 (2017: performance period 2015 to 2016).

The total number of Sembcorp Marine Ltd's restricted shares outstanding, including awards achieved but not released, as at December 31, 2018, was 15,616,727 (2017: 15,383,413). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 14,817,138 (2017: 14,674,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 22,225,707 (2017: 22,011,000) restricted shares.

Challenge Bonus of a listed subsidiary

With the Sembcorp Marine Ltd Committee's approval on the achievement factor for performance targets for the performance period 2016 to 2017 (2017: performance period 2015 to 2016), a total of S$1 million (2017: S$* million), equivalent to 354,774 (2017: 248,950) notional restricted shares, were paid.

A total of 2,520,117 (2017: 3,074,000) notional restricted shares were awarded on August 23, 2018 (2017: May 26, 2017) for the Sembcorp Marine Challenge Bonus.

The total number of notional restricted shares in awards for the Sembcorp Marine Challenge Bonus granted conditionally and representing 100% of targets to be achieved, but not released as at December 31, 2018, was 4,684,737 (2017: 5,230,850). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 7,027,106 (2017: 7,846,275).

35. Share-based Incentive Plans *(cont'd)*

b. Restricted Share Plan *(cont'd)*

ii. Restricted shares of a listed subsidiary *(cont'd)*

Fair Value of Restricted Shares

The fair values of restricted shares granted during the year are as follows:

	Fair value of Sembcorp Industries Ltd restricted shares granted on May 15, 2017	Fair value of Sembcorp Marine Ltd restricted shares granted on August 23, 2018	Fair value of Sembcorp Marine Ltd restricted shares granted on May 26, 2017
Fair value at measurement date	S$2.81	S$1.78	S$1.50
Assumptions under the Monte Carlo model			
Share price	S$3.18	S$1.93	S$1.69
Expected volatility:			
Sembcorp Industries Ltd / Sembcorp Marine Ltd	29.5%	39.8%	35.1%
Risk-free interest rate	1.1% – 1.3%	0.6% – 1.9%	1.1% – 1.4%
Expected dividend	3.6%	1.8%	2.9%

The expected volatility is based on the historical volatility over the most recent period that is close to the expected life of the restricted shares.

During the year, the Group charged S$9 million (2017: S$15 million) to the profit or loss based on the fair value of restricted shares at the grant date being expensed over the vesting period.

From 2018 onwards, the fair value of the compensation cost is estimated based on performance achievement for the year.

Fair Value of Sembcorp Challenge Bonus

During the year, the Group charged S$2 million (2017: S$3 million) to the profit or loss based on the market values of the shares at the balance sheet date. The fair value of the compensation cost is based on the notional number of restricted shares awarded for Sembcorp Challenge Bonus and the market price at the vesting date. With effect from 2018, consistent to the change in RSP, the liability also takes into account the performance achieved for the year.

36. Disposal of Significant Subsidiaries

During the year, disposal of subsidiaries primarily relates to the Group's divestment of its municipal water operations in South Africa Water business, including a 100% stake in Sembcorp Utilities South Africa Pty Ltd, 100% stake in Sembcorp Silulumanzi (RF) Pty Ltd and 73.4% stake in Sembcorp Siza Water (RF) Pty Ltd to South African Water Works Pty Ltd.

(S$ million)	Note	
Property, plant and equipment		6
Intangible assets		38
Other receivables		17
Inventory		1
Cash and cash equivalents		15
Total assets		77
Trade and other payables		15
Other financial liabilities		3
Finance lease		2
Deferred tax liabilities	13	9
Total liabilities		29
Net assets derecognised		48
Less: Non-controlling interest		(4)
Realisation of currency translation		26
		70
Gain on disposal		8
Consideration received		78
Less: cash and cash equivalents disposed of		(15)
Net cash inflow		63

37. Acquisition of Significant Subsidiaries and Non-controlling Interests

Acquisition of Significant Subsidiaries

2018

i. On June 1, 2018, the Group acquired 100% equity stake in UK Power Reserve (UKPR), the UK's largest flexible distributed energy generator and UKPR became a subsidiary of the Group. Consequently, financial statements of UKPR were consolidated into the Group's financial statements.

The principal activity of UKPR is to operate a portfolio of highly flexible distributed energy generation projects across 32 locations in England and Wales, with 533 megawatts in operation and a further 480 megawatts in construction and under development.

Revenue and profit contribution

The acquired business contributed revenue of S$63 million and loss of S$32 million to the Group's result for the period from June 1, 2018 to December 31, 2018.

Had the acquired businesses been consolidated from January 1, 2018, the contribution to the Group's consolidated revenue and consolidated profit for the year ended December 31, 2018, would have been S$11,790 million and S$330 million respectively.

37. Acquisition of Significant Subsidiaries and Non-controlling Interests *(cont'd)*

Acquisition of Significant Subsidiaries *(cont'd)*

2018

i. ***Consideration Transferred***

The following table summarises the acquisition date provisional fair value of each major class of consideration transferred:

(S$ million)	2018
a. Effect on cash flows of the Group	
Cash paid	401
Less: Cash and cash equivalents in subsidiaries acquired	(35)
Cash outflow on acquisition	366

(S$ million)	Note	At fair value
b. Identifiable assets acquired and liabilities assumed		
Property, plant and equipment		400
Intangible assets	12	153
Other receivables		65
Inventories		3
Cash and cash equivalents		35
Total assets		656
Trade and other payables		53
Other financial liabilities		1
Borrowings		244
Finance lease		1
Deferred tax liabilities	13	45
Total liabilities		344
Total net identifiable assets		312
Add: Goodwill	12	89
Consideration transferred for the businesses		401

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique	Key assumptions
Property, plant and equipment	Market Value Approach	• Freehold land – Prevailing market rates of similar agricultural lands from certified land valuer. • Plant and machinery – Current replacement costs derived from market quotes received from suppliers / manufacturers.
Intangible assets	Multi-period Excess Earnings Method ("MEEM")	• Cash flows from Capacity Market contracts with the National Grid of UK. • Contract tenure of 1 – 14 years. • Discount rates range from 12% to 16%.

The above fair values of identifiable assets acquired and liabilities assumed have been determined on a provisional basis. In particular, UKPR's operations are subject to regulatory developments, including the suspension of the Capacity Market from November 2018 as well as uncertainties related to the effects of Brexit, whereby the full range of possible effects are unknown. Please refer to Note 12(f) for further information. The Group will continue to review these matters during the measurement period.

37. Acquisition of Significant Subsidiaries and Non-controlling Interests *(cont'd)*

Acquisition of Significant Subsidiaries *(cont'd)*

2018 *(cont'd)*

i. ***Consideration Transferred*** *(cont'd)*

Goodwill

The goodwill of S$89 million recognised on acquisition is primarily attributed to:

- the value of the acquired workforce; and
- the value associated with future earnings generated through either non-contractual services (e.g. Energy Optimisation and TRIAD) or from securing contractual services (e.g. capacity market, fast reserve and firm frequency reserve) in the future which were not secured at the date of acquisition and therefore cannot be recognised.

The goodwill recognised is not expected to be deductible for tax purpose.

Acquisition-related Costs

The Group incurred acquisition related cost of S$3 million. These costs have been charged to profit or loss.

Acquired Receivables

Included in trade and other receivables are trade receivables stated at fair value of S$2 million. The gross contractual amount for trade receivables due is S$2 million and, at the acquisition date, the entire contractual amount was expected to be collectible.

The above are inclusive of fair value adjustments, determined on a provisional basis.

ii. During the year, Sembcorp Marine Ltd's wholly-owned subsidiary, Sembcorp Marine Integrated Yard (SMIY) acquired Sevan Marine ASA's interests and title to all its intellectual property; 100% of the shares of HiLoad LNG AS (HiLoad), a Sevan Marine subsidiary which holds certain intellectual property rights; the takeover of all operating and associated costs, including unexpired leases; and the transfer of 26 Sevan Marine employees. Consequently, the intangible asset and financial statements of HiLoad were consolidated into the Group's financial statements.

Effect of acquisition

Revenue and Profit Contribution

The revenue and profit contribution from these new acquisitions were not material.

Had the acquired businesses been consolidated from January 1, 2018, the contribution to the Group's consolidated revenue and consolidated profit for the year ended December 31, 2018, would not have been significant.

Consideration Transferred

The following table summarises the acquisition date provisional fair value of each major class of consideration transferred:

(S$ million)	2018
a. Effect on cash flows of the Group	
Cash paid	55
Less: Cash and cash equivalents in subsidiaries acquired	*
Cash outflow on acquisition	55

37. Acquisition of Significant Subsidiaries and Non-controlling Interests *(cont'd)*

Acquisition of Significant Subsidiaries *(cont'd)*

2018 *(cont'd)*

ii. ***Consideration Transferred*** *(cont'd)*

(S$ million)	Note	At fair value
b. Identifiable assets acquired and liabilities assumed		
Intangible assets	12	55
Trade and other receivables		*
Cash and cash equivalents		*
Total assets		55
Trade and other payables		*
Total liabilities		*
Total net identifiable assets		55
Consideration transferred for the businesses		55

Acquisition-related Costs

Acquisition-related costs incurred in relation to the acquisition were immaterial and charged to profit or loss.

2017

i. In August 2017, the Company increased its shareholding in Sembcorp Green Infra Limited (SGI) from 68.74% to 71.57%, via subscription of the rights issues of SGI.

Subsequently, the Group has entered an agreement to acquire the remaining balance of the equity stakes of SGI. The transfer of the legal title of the shares is expected to be completed in early 2018. However, with effect from September 2017, the Group has the beneficiary interests and all risks and rewards associated to these shares. Accordingly, the Group's stake in SGI for consolidation purposes was increased from 71.57% to 100%.

The following summarises the effect of changes in the Group's ownership interest:

(S$ million)	SGI
Group's ownership interest at January 1, 2017	306
Effect of increase in Group's ownership interest	150
Share of comprehensive income and capital injection during the year	59
Group's ownership interest at December 31, 2017	515

38. Related Parties

a. Related Party Transactions

The Group had the following significant outstanding balances and transactions with related parties during the year:

	Outstanding balances		Transactions	
(S$ million)	2018	2017	2018	2017
Related Corporations				
Sales	**23**	9	**187**	83
Purchases including rental	**1**	*	**237**	212
Finance income	**–**	–	**1**	2
Finance expense	**–**	–	**46**	25
Associates and Joint Ventures				
Sales	**10**	15	**67**	67
Purchases including rental	**12**	8	**11**	4
Payment on behalf	**–**	–	**5**	5
Loans due from	**40**	65	**–**	–

The Group does not provide financial assistance to non-wholly-owned subsidiary companies. The balances due from related parties arose from the usual trade transactions, reimbursements and for financing of capital expansion.

b. Compensation of Key Management Personnel

The Group strategy was effected in 2018 and with that, the Group considers the directors of the Company (including the Group President & CEO of the Company); the Group Chief Financial Officer; the President & CEO of Sembcorp Marine Ltd; the Head of Singapore, South East Asia & China (Energy); the CEO of Sembcorp Development Ltd; and the Head of India to be key management personnel in accordance with SFRS(I) 1-24 *Related Party Disclosures*. These persons have the authority and responsibility for planning, directing and controlling the activities of the Group.

In 2017, the Group considered the directors of the Company (including the Group President & CEO of the Company); the Group Chief Financial Officer; the President & CEO of Sembcorp Marine Ltd; the Head of Renewables & Environment Business; the Head of Global Operations Group; and the CEO of Sembcorp Development Ltd to be key management personnel in accordance with SFRS(I) 1-24 *Related Party Disclosures*. These persons had the authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation paid is as follows:

	Group	
(S$ million)	2018	2017
Directors' fees and remuneration	**5**	9
Other key management personnel remuneration	**6**	7
	11	16
Fair value of share-based compensation	**3**	5

Remuneration includes salary (which includes allowances, fees and other emoluments) and bonus (which includes AWS, discretionary bonus and performance targets bonus). In addition to the above, the Company provides medical benefits to all employees including key management personnel.

The Group adopts an incentive compensation plan, which is tied to the creation of Economic Value Added (EVA), as well as to attainment of individual and Group performance goals for its key executives. A "bonus bank" is used to hold incentive compensation credited in any year. Typically, one-third of the available balance is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank in future will be increased or decreased by the yearly EVA performance of the Group and its subsidiaries achieved and the payouts made from the bonus bank. The fair value of share-based compensation relates to performance shares and restricted shares granted that were charged to the profit or loss.

39. Financial Instruments

Financial Risk Management Objectives and Policies

The Group's activities expose it to market risk (including interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk.

As part of the Group's Enterprise Risk Management framework, Group treasury policies and financial authority limits are documented and reviewed periodically. The policies set out the parameters for management of Group liquidity, counterparty risk, foreign exchange and derivative transactions and financing.

The Group utilises foreign exchange contracts, foreign exchange swaps, interest rate swaps, fuel oil swaps, contracts for differences and various financial instruments to manage exposures to interest rate, foreign exchange and commodity price risks arising from operating, financing and investment activities. Exposures to foreign currency risks are also hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount where possible. All such transactions must involve underlying assets or liabilities and no speculative transactions are allowed.

The financial authority limits seek to limit and mitigate transactional risks by setting out the threshold of approvals required for the entry into contractual obligations and investments.

a. Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and reduce market risk exposures within acceptable parameters.

i. Interest Rate Risk

The Group's exposure to market risk for changes in interest rate environment relates mainly to its debt obligations.

The Group's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts and long-term and short-term borrowings.

The Group's policy is to target at least 50% of its debt portfolio with fixed interest rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps and cross currency swaps to hedge the variability in cash flows attributable to the floating interest rates.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item by looking at the critical terms.

In these hedge relationships, the main sources of ineffectiveness could be due to:

- the effect of the counterparties' and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- changes in the timing of hedged transactions.

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

a. Market Risk *(cont'd)*

i. Interest Rate Risk *(cont'd)*

Sensitivity Analysis

It is estimated that 100 basis points (bp) change in interest rate at the reporting date would increase / (decrease) equity and profit before tax by the following amounts. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit before tax		Equity	
(S$ million)	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
Group				
December 31, 2018				
Variable rate financial instruments	(38)	38	33	(33)
December 31, 2017				
Variable rate financial instruments	(33)	33	35	(35)
Company				
December 31, 2018				
Variable rate financial instruments	8	(8)	–	–
December 31, 2017				
Variable rate financial instruments	7	(7)	–	–

ii. Foreign Currency Risk

The Group operates globally and is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company and its subsidiaries. The currencies in which these transactions are primarily denominated in are Singapore dollars (SGD), United States dollars (USD), Euros (EURO), Pounds Sterling (GBP), Indian Rupee (INR) and Brazilian Real (BRL). Such risks are hedged either by forward foreign exchange contracts in respect of actual or forecasted currency exposures which are reasonably certain or hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount.

The Group's policy is to manage and hedge the foreign exchange exposure as and when the exposure is identified.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item by looking at the critical terms.

In these hedge relationships, the main sources of ineffectiveness could be due to:

- the effect of the counterparties' and the Group's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- changes in the timing of the hedged transactions.

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

a. Market Risk *(cont'd)*

ii. Foreign Currency Risk *(cont'd)*

The summary of quantitative data about the Group's exposure to foreign currency risk (excluding the GBP / SGD Cross Currency Swaps, GBP / SGD foreign exchange forward contract and foreign exchange swap contract that are designated as a hedge of the Group's net investments in its subsidiaries in United Kingdom (UK) and Middle East (ME)) as provided to the management of the Group based on its risk management policy was as follows:

(S$ million)	SGD	USD	EURO	GBP	INR	BRL	Others
Group							
2018							
Financial assets							
Cash and cash equivalents	25	257	7	10	–	2	8
Loan to an associate	–	–	–	58	–	–	–
Trade and other receivables	23	1,698	26	1,026	941	8	173
Other financial assets	–	36	–	–	–	–	–
	48	1,991	33	1,094	941	10	181
Financial liabilities							
Trade and other payables	142	936	58	500	–	80	41
Interest-bearing borrowings	–	436	–	316	–	–	104
	142	1,372	58	816	–	80	145
Net financial assets / (liabilities)	(94)	619	(25)	278	941	(70)	36
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(3)	(222)	(221)	(21)	–	55	(112)
Add: Contract assets	–	954	1	3	–	–	9
Less: Cross currency swaps	–	–	–	–	(820)	–	–
Less: Foreign exchange forward contracts	40	(476)	–	(298)	(105)	–	43
Net currency exposure	(57)	875	(245)	(38)	16	(15)	(24)
2017							
Financial assets							
Cash and cash equivalents	29	326	19	226	–	2	81
Trade and other receivables	78	1,069	7	6	966	9	92
Other financial assets	–	25	–	–	18	–	–
	107	1,420	26	232	984	11	173
Financial liabilities							
Trade and other payables	101	668	58	119	296	117	47
Interest-bearing borrowings	–	616	–	–	–	95	100
	101	1,284	58	119	296	212	147
Net financial assets / (liabilities)	6	136	(32)	113	688	(201)	26
Add: Firm commitments and highly probable forecast transactions in foreign currencies	*	270	(248)	31	–	(28)	(130)
Add: Contract Assets	5	634	–	–	–	–	–
Less: Cross currency swaps	–	–	–	–	(890)	–	–
Less: Foreign exchange forward contracts	16	(109)	5	(161)	(54)	–	79
Net currency exposure	27	931	(275)	(17)	(256)	(229)	(25)

(S$ million)	SGD	USD	EURO	GBP	INR	BRL	Others
Group							
January 1, 2017							
Financial assets							
Cash and cash equivalents	48	434	37	241	–	–	24
Trade and other receivables	15	1,308	28	21	174	–	155
Other financial assets	–	23	–	–	20	–	–
	63	1,765	65	262	194	–	179
Financial liabilities							
Trade and other payables	109	592	58	72	–	37	102
Interest-bearing borrowings	–	1,443	–	–	–	–	6
	109	2,035	58	72	–	37	108
Net financial (liabilities) / assets	(46)	(270)	7	190	194	(37)	71
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(33)	337	(364)	389	–	79	(144)
Add: Contract Assets	8	433	11	11	–	–	30
Less: Cross currency swap	–	–	–	–	(167)	–	–
Less: Foreign exchange forward contracts	32	(581)	58	(639)	–	–	(8)
Net currency exposure	(39)	(81)	(288)	(49)	27	42	(51)

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

a. Market Risk *(cont'd)*

ii. Foreign Currency Risk *(cont'd)*

The Company's gross exposure to foreign currencies is as follows:

(S$ million)	USD
Company	
2018	
Financial assets	
Cash and cash equivalents	25
Trade and other receivables	33
	58
Financial liabilities	
Trade and other payables	27
Net financial assets	31
Net currency exposure	31
2017	
Financial assets	
Cash and cash equivalents	35
Trade and other receivables	83
	118
Financial liabilities	
Trade and other payables	26
Net financial assets	92
Net currency exposure	92

(S$ million)	USD
Company	
January 1, 2017	
Financial assets	
Cash and cash equivalents	14
Trade and other receivables	126
	140
Financial liabilities	
Trade and other payables	36
Net financial assets	104
Net currency exposure	104

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

a. Market Risk *(cont'd)*

ii. Foreign Currency Risk *(cont'd)*

Sensitivity Analysis

A 10% strengthening of the following currencies against the functional currencies of the Company and its subsidiaries at the balance sheet date would have increased / (decreased) equity and profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of firm commitments and highly probable forecast transactions in foreign currencies. The analysis is performed on the same basis for 2017.

	Group		Company
(S$ million)	Equity	Profit before tax	Profit before tax
2018			
SGD	3	(9)	–
USD	(67)	96	3
EURO	–	(2)	–
GBP	5	(8)	–
INR	–	2	–
BRL	–	(7)	–
Others	–	8	–
2017			
SGD	1	1	–
USD	(47)	59	9
EURO	*	(3)	–
GBP	(5)	3	–
INR	2	(26)	–
BRL	–	(20)	–
Others	–	11	–

A 10% weakening of the above currencies against the functional currencies of the Company and its subsidiaries at the balance sheet date would have had the equal but opposite effect on the above currencies to the amounts shown above, except for amounts of S$2 million in 2017 relating to INR which would be recognised in profit before tax instead of equity, on the basis of impairment noted on the equity securities.

iii. Price Risk

Unit Trust and Funds, and Equity Securities Price Risk

The Group is exposed to unit trust and funds, and equity securities price risk because of the investments held by the Group which are classified on the consolidated balance sheet either as FVOCI or FVTPL (2017: available-for-sale).

Sensitivity Analysis

If prices for equity securities and unit trusts and funds (2017: unit trust and funds, and equity securities) increase by 10% with all other variables held constant, the increase in equity and profit before tax will be:

	Group	
(S$ million)	2018	2017
Equity	**11**	19
Profit before tax	**7**	–

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

a. Market Risk *(cont'd)*

iii. Price Risk *(cont'd)*

Sensitivity Analysis (cont'd)

A 10% decrease in the underlying equity securities and unit trusts and funds (2017: unit trust and funds, and equity securities) prices would have had the equal but opposite effect to the amounts shown above. The analysis is performed on the same basis for 2017 and assumes that all other variables remain constant.

Commodity Risk

The Group hedges against fluctuations in commodity prices that affect revenue and cost. Exposures are managed via swaps and contracts for differences.

Contracts for differences are entered into with counterparty at a strike price, with or without fixing the quantity upfront, to hedge against adverse price movements on the sale of electricity. Exposure to price fluctuations arising on the purchase of fuel is managed via fuel oil swaps where the price of fuel is indexed to a benchmark fuel price index, for example Singapore High Sulphur Fuel Oil 180 CST fuel oil and Dated Brent.

The Company designates the fuel oil swaps and electricity futures in their entirety in cash flow hedges to hedge its commodity risk and applies a hedge ratio of 1:1.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference index of Singapore High Sulphur Fuel Oil 180 CST fuel oil and Dated Brent, tenors, repricing dates and maturities and the notional or par amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item by looking at the critical terms.

The Group did not identify any significant sources of ineffectiveness in these hedge relationships.

Sensitivity Analysis

If prices for commodities increase by 10% with all other variables held constant, the increase in equity as a result of fair value changes on cash flow hedges will be:

	Group	
(S$ million)	**2018**	**2017**
Equity	**27**	24

A 10% decrease in the prices for commodities would have had the equal but opposite effect to the amounts shown above. The analysis is performed on the same basis for 2017 and assumes that all other variables remain constant.

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

a. Market Risk *(cont'd)*

iv. Cash Flow Hedges

At December 31, 2018, the Group held the following instruments to hedge exposures to changes in foreign currency, interest rates and commodity prices:

			Maturity		
(S$ million)	**Rate ($)**	**Interest rate (%)**	**Within 1 year**	**Between 1 to 5 years**	**More than 5 years**
2018					
Foreign currency risk					
Forward foreign exchange contracts (Buy / Sell)					
– SGD / USD	0.70–0.77	–	1,013	223	–
– USD / SGD	1.29–1.45	–	275	118	–
– SGD / INR	52.03	–	104	–	–
Interest rate risk					
Interest rate swap					
– Fixed-to-float	–	1.18–3.11	505	1,282	–
Foreign currency and interest rate risk					
Cross currency swaps					
– SGD / INR	46.96	9.46–10.20	166	740	–
– USD / INR	66.75	8.36	–	309	–
– CLP / USD	0.0015	3.39	30	–	–
Commodity risk					
Fuel oil swaps					
– Fuel oil swap ($ per MT)	244.25–496.00	–	273	103	–
– Fuel oil swap ($ per BBL)	61.20–77.60	–	10	–	–
– Electricity futures market contracts	85.99–125.00	–	4	5	–

The amounts at the reporting date relating to items designated as hedged items were as follows:

(S$ million)	**Cash flow hedge reserve for continuing hedges**
2018	
Foreign currency risk	
Receivables	8
Highly probable purchases	(1)
Interest rate risk	
Variable rate borrowings	(8)
Foreign currency and interest rate risk	
Receivables	1
Variable rate borrowings	(3)
Commodity risk	
Highly probable purchases	(52)

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

a. Market Risk *(cont'd)*

iv. Cash Flow Hedges *(cont'd)*

The amounts related to items designated as hedging instruments and hedge ineffectiveness were as follows:

	2018									
			Carrying Amount							
(S$ million)	Nominal Amount	Quantity	Assets	Liabilities	Line item in the balance sheets where the hedging instrument is included	Change in value of hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from hedging reserve to profit or loss	Line item affected in profit or loss because of the reclassification
Foreign currency risk										
Forward foreign exchange contracts	1,733	–	14	17	Other financial assets and liabilities	(47)	2	Non-operating income / expense	6	Cost of goods sold, Other operating income / expense
Interest rate risk										
Interest rate swaps	1,787	–	2	13	Other financial assets and liabilities	3	–	–	2	Finance costs
Foreign currency and interest rate risk										
Cross currency swaps	1,245	–	90	–	Other financial assets and liabilities	126	–	–	(116)	Finance costs, Other operating income / expense
Commodity risk										
Fuel oil swaps	386	750,276 MT and 91,400 BBL	7	68	Other financial assets and liabilities	(28)	–	–	(72)	Cost of goods sold
Electricity futures market contracts	9	–	1	1	Other financial assets and liabilities	(1)	–	–	*	–

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting:

(S$ million)	2018 Cash flow hedge reserve
Balance at January 1	(27)
Movement during the year	
Changes in fair value:	
Foreign currency risk	(47)
Interest rate risk	3
Foreign currency and interest rate risk	126
Commodity risk	(29)
Amount reclassified to profit or loss:	
Foreign currency risk	8
Interest rate risk	2
Foreign currency and interest rate risk	(116)
Commodity risk	(72)
Tax on movements on reserves during the year	23
Share of other comprehensive income of associates and joint ventures	27
	(75)
Share of non-controlling interests	15
Balance at December 31	(87)

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

a. Market Risk *(cont'd)*

iv. Cash Flow Hedges

Comparative Information under FRS39

Interest Rate Risk

At December 31, 2017, the Group had interest rate swaps and cross currency swaps with an aggregate notional amount of S$2,250 million (January 1, 2017: S$1,677 million), of which S$2,200 million (January 1, 2017: S$1,619 million) was designated as cash flow hedges. The Group receives a variable interest rate and pays a fixed rate interest ranging from 2.19% to 10.28% (January 1, 2017: 0.98% to 13.05%) per annum on the notional amount. Interest rate swaps with notional amounts of S$277 million (January 1, 2017: S$506 million) are taken with a related corporation.

Foreign Currency Risk

Foreign exchange forward contracts and cross currency swaps with notional amounts of S$261 million (January 1, 2017: S$335 million) and S$340 million (January 1, 2017: S$340 million) respectively are taken with a related corporation.

Price Risk

Commodity

At the balance sheet date, the Group had financial instrument with the following notional contract amounts:

	Group	
(S$ million)	Notional amount December 31, 2017	Notional amount January 1, 2017
Fuel oil swap agreements	**247**	133

In 2017, fuel oil swap contracts with notional amounts of S$2 million (2016: S$nil) are entered with a related corporation.

v. Net Investment Hedges

The Group's investments in its United Kingdom (UK) subsidiaries are hedged by GBP / SGD forward foreign exchange contracts, which mitigates the currency risks arising from the subsidiaries' net assets.

The amounts related to items designated as hedging instruments were as follows:

	2018				During the current financial year					
		Carrying Amount								
(S$ million)	Nominal Amount	Assets	Liabilities	Line item in the balance sheets where the hedging instrument is included	Change in value of hedging instrument used for calculating hedge ineffectiveness for 2018	Change in value of hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from foreign currency translation reserve to profit or loss	Line item affected in profit or loss because of the reclassification
Foreign currency risk										
GBP / SGD forward foreign exchange contract	353	26	–	Other financial assets	–	26	–	–	–	–

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

a. Market Risk *(cont'd)*

v. Net Investment Hedges *(cont'd)*

The amounts related to items designed as hedged items were as follows:

	2018	During the current financial year	
(S$ million)	Change in value of hedged item used for calculating hedge effectiveness	Foreign currency translation reserve	Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied
Net Investment			
GBP net investment	(26)	37	–

Comparative Information under FRS39

At December 31, 2017, the Group's investments in its United Kingdom (UK) subsidiaries are hedged by GBP / SGD Cross Currency Swaps with notional amount of S$333.8 million (January 1, 2017: S$333.8 million), which mitigates the currency risks arising from the subsidiaries' net assets. As at January 1, 2017, the Group's investments in its Middle East (ME) subsidiaries are hedged by a USD / SGD foreign exchange swap contract with a notional amount of S$26.6 million. As at December 31, 2017, this USD / SGD foreign exchange swap contract has been settled. On consolidation, the effective portions of S$0.2 million, fair value gain of S$1.3 million (January 1, 2017: fair value loss of S$0.6 million) arising from the GBP / SGD Cross Currency Swaps, and USD / SGD foreign exchange swap contract respectively, are recognised directly in the foreign currency translation reserves. The financial instruments are designated as hedge of a net investment in foreign operations and were effective as at December 31, 2017.

b. Credit Risk

The Group monitors its exposure to credit risks arising from sales to trade customers on an on-going basis, and credit evaluations are done on customers that require credit. The credit quality of customers is assessed after taking into account its financial position and past experience with the customers.

For the Company's amounts due from subsidiaries, the Company considers the financial assets to have a low credit risk by taking into consideration the Group's financial ability to settle the amounts, in estimating the risk of default used in measuring expected credit loss.

The Group only deals with pre-approved customers and financial institutions with good credit rating. To minimise the Group's counterparty risk, the Group enters into derivative transactions only with creditworthy institutions. Cash and fixed deposits are placed in banks and financial institutions with good credit rating.

The Group assumes that credit risk of a financial asset has increased significantly when the financial asset remains outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend.

The maximum exposure to credit risk is the carrying amount of each financial asset, including derivatives, in the balance sheet, before taking into account any collateral held. The Group does not hold any collateral in respect of its financial assets, except for balances with customers where guarantees or security deposits are obtained.

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

b. Credit Risk *(cont'd)*

The Group's and the Company's maximum exposure to credit risk for financial assets at amortised cost (2017: loans and receivables) and contract assets at the balance sheet date is as follows:

	Group			Company		
(S$ million)	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
By business activity						
Utilities	**2,337**	2,059	1,749	**371**	358	367
Marine	**2,780**	1,357	930	**–**	–	–
Urban Development	**86**	27	8	**–**	–	–
Others	**52**	58	82	**–**	–	–
	5,255	3,501	2,769	**371**	358	367
Non-current#	**2,270**	1,094	665	**268**	221	200
Current	**2,985**	2,407	2,104	**103**	137	167

\# Not past due

Expected credit loss (ECL) assessment for customers with credit ratings (or equivalent) as at January 1 and December 31, 2018.

The Group allocates exposure from key customer to a credit risk grade based on data that is determined to be indicative of the risk of loss (including but not limited to external ratings if available, audited financial statements to calculate the internal risk rating using the Altman Z-score method, and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies such as Standards and Poor's and Moody's.

For the remaining customers, the Group allocates exposure to credit risk with reference to the key customers by segmenting the customers based on the geographic region and industry classification. For customers segmented by geographic region and industry classification and an ECL rate is calculated for each segment based on probabilities of default and loss given default. 12-month and lifetime probabilities of default are based on historical data supplied by Standards and Poor's and Moody's for reach credit rating. Loss given default parameters generally reflect an assumed recovery rate of 37.8%. The Group monitors changes in credit risk by tracking published external credit ratings.

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

b. Credit Risk *(cont'd)*

The following table provides information about the exposure to credit risk and ECLs for trade receivables (including service concession receivables) and contract assets for customers with credit ratings (or equivalent):

(S$ million)	Credit impaired	Gross carrying amount	Loss allowance	Net carrying amount
2018				
Group				
Receivables measured at 12-month ECL				
Service concession receivables				
– External credit ratings of AAA – B	No	1,074	(9)	1,065

(S$ million)	Equivalent to external credit rating	Credit impaired	Gross carrying amount	Loss allowance	Net carrying amount
2018					
Group					
Receivables measured at lifetime ECL					
Trade and other receivables and contract assets					
– Industrial	AAA – B+	No	2,858	(5)	2,853
– Government	AAA – BBB	No	33	–	33
– Retail	AAA – CCC	No	35	(1)	34
– Others	BBB – CCC	No	89	(2)	87
– Industrial	Not applicable	Yes	159	(159)	–
Total			3,174	(167)	3,007
Company					
Receivables measured at lifetime ECL					
Trade and other receivables and contract assets					
– Industrial	BBB	No	73	–	73
			73	–	73

There were no trade and other receivables and contract assets for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets.

Expected credit loss assessment for customers (allowance matrix) as at January 1 and December 31, 2018.

The Group uses an allowance matrix to measure the ECLs of trade receivable from certain customers.

Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through succession stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics: geographic regions and nature of customers.

Loss rates are based on actual credit loss experience over the past 3-5 years adjusted for current conditions and the Group's view of economic conditions over the expected lives of the receivables only if these factors have a significant impact to the credit loss.

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

b. Credit Risk *(cont'd)*

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for customers with no credit rating or no representative credit rating or equivalent:

(S$ million)	Credit impaired	Weighted average loss rate	Gross carrying amount	Loss allowance	Net carrying amount
2018					
Group					
Not past due	No	0.1%	447	*	447
Past due 0 to 3 months	No	0.1%	253	*	253
Past due 3 to 6 months	No	0.4%	78	*	78
Past due 6 to 12 months	No	2.8%	82	(3)	79
More than 1 year	No	33.2%	74	(23)	51
Total			934	(26)	908
Company					
Not past due	No		94	–	94
Past due 0 to 3 months	No		9	–	9
Total			103	–	103

For remaining financial assets at amortised cost amounting to S$280 million, which pertain mainly to long-term fixed deposits with financial institutions, dividend receivables from joint ventures and GST receivables, the Group considers the risk or probability that a credit loss occurs, and recognises a loss allowance of S$5 million.

Comparative information under FRS39

The age analysis of current loans and receivables and contract assets as at December 31, 2017 is as follows:

(S$ million)	Gross December 31, 2017	Impairment December 31, 2017	Gross January 1, 2017	Impairment January 1, 2017
2017				
Group				
Not past due	1,928	1	1,633	9
Past due 0 to 3 months	323	4	261	2
Past due 3 to 6 months	103	1	98	1
Past due 6 to 12 months	42	4	65	3
More than 1 year	216	195	273	211
	2,612	205	2,330	226
Company				
Not past due	123	–	113	–
Past due 0 to 3 months	14	–	3	–
Past due 3 to 6 months	–	–	–	–
Past due 6 to 12 months	–	–	2	–
More than 1 year	2	2	69	20
	139	2	187	20

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies (cont'd)

b. Credit Risk *(cont'd)*

Movements in the loss allowance for trade and other receivables and contract assets (2017: current and non-current loans and receivables) are as follows:

(S$ million)	Note	Group 12-month ECL 2018	Group Lifetime ECL 2018	Group Total 2018	Group Total 2017	Company 12-month ECL 2018	Company Lifetime ECL 2018	Company Total 2018	Company Total 2017
Balance at January 1, per FRS 39		**–**	**206**	**206**	235	**–**	**2**	**2**	21
Adjustments on initial application of SFRS(I) 9		**8**	**4**	**12**	–	**–**	**–**	**–**	–
Balance at January 1, under SFRS(I) 9 (2017: FRS39)		**8**	**210**	**218**	235	**–**	**2**	**2**	21
Currency translation difference		**–**	**(9)**	**(9)**	(7)	**–**	**–**	**–**	–
Impairment loss recognised		**1**	**9**	**10**	16	**–**	**–**	**–**	–
Loss allowance utilised		**–**	**(4)**	**(4)**	(7)	**–**	**(2)**	**(2)**	(5)
Loss allowance written back		**–**	**(6)**	**(6)**	(32)	**–**	**–**	**–**	(14)
Disposal of subsidiary		**–**	**(2)**	**(2)**	–	**–**	**–**	**–**	–
Balance at December 31	8	**9**	**198**	**207**	205	**–**	**–**	**–**	2

Non-trade Amounts due from Subsidiaries

The Company held non trade receivables from its subsidiaries of S$245 million (2017: S$245 million; January 1, 2017: S$245 million). These balances are amounts lent to subsidiaries to satisfy short-term funding requirements. The Company uses a similar approach for assessment of ECLs for these receivables to those used for debt investments. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

Comparative Information under FRS39

2017

For 2017, the allowance account in respect of loans and receivables was used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written against the carrying amount of the impaired financial asset.

In 2017, impairment losses amounting to S$14 million were written back as the past due receivables from a customer that was undergoing restructuring was received by the Group, upon completion of the restructuring exercise during the current year. Impairment losses relating to the past due receivables recognised previously amounted to S$19 million.

In 2017, S$16 million was written back (being monies received) relating to a receivable that was previously impaired by approximately S$25 million.

The total net write-back of impairment losses of S$16 million was recognised in the general and administrative expenses.

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies (cont'd)

c. Liquidity Risk

The Group manages its liquidity risk with the view to maintaining a healthy level of cash and cash equivalents appropriate to the operating environment and expected cash flows of the Group. Liquidity requirements are maintained within the credit facilities established and are adequate and available to the Group to meet its obligations.

In particular, the Group's subsidiaries in the marine sector will continue to take steps to manage cost, cash flows and gearing to address their financial position. While the majority of their contracts and new orders are secured on progressive payment terms, future new orders may result in increased working capital needs.

Maturity Profile of the Group's and the Company's Financial Liabilities

The cash flows associated with the cash flow hedges of the Group are expected to occur within 1 year and between 1-5 years. Correspondingly, the cash flows related to the hedging instruments (foreign exchange contracts, fuel oil swaps, interest rate swaps, cross currency swaps and electricity futures market contracts) that are designated as cash flows hedges are expected to impact profit and loss within 1 year, between 1-5 years and upon disposal of its investment in subsidiaries.

The table below analyses the maturity profile of the Group's and the Company's financial liabilities (including derivatives financial liabilities) based on contractual undiscounted cash inflows / (outflows), including estimated interest payments and excluding the impact of netting agreements:

(S$ million)	Carrying amount	Cash Flows: Contractual cash flow	Less than 1 year	Between 1 and 5 years	Over 5 years
Group					
2018					
Derivatives					
Derivative financial liabilities	105				
– inflow		1,747	1,461	286	–
– outflow		(1,864)	(1,551)	(306)	(7)
Derivative financial assets	(153)				
– inflow		2,977	1,795	1,169	13
– outflow		(2,858)	(1,764)	(1,094)	–
Non-derivative financial liabilities					
Trade and other payables*	3,053	(3,053)	(2,917)	(52)	(84)
Interest-bearing borrowings	10,732	(13,032)	(1,977)	(6,913)	(4,142)
	13,737	(16,083)	(4,953)	(6,910)	(4,220)
2017					
Derivatives					
Derivative financial liabilities	67				
– inflow		1,545	518	1,027	–
– outflow		(1,678)	(585)	(1,079)	(14)
Derivative financial assets	(128)				
– inflow		1,619	1,093	521	5
– outflow		(1,499)	(996)	(503)	–
Non-derivative financial liabilities					
Trade and other payables*	3,419	(3,419)	(3,281)	(45)	(93)
Interest-bearing borrowings	9,847	(12,585)	(2,096)	(6,237)	(4,252)
	13,205	(16,017)	(5,347)	(6,316)	(4,354)

* Excludes advance payments, deferred grants, rental payable, Goods and Services Tax and employee benefits

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

c. Liquidity Risk *(cont'd)*

(S$ million)	Carrying amount	Cash Flows: Contractual cash flow	Less than 1 year	Between 1 and 5 years	Over 5 years
Group					
2018					
January 1, 2017					
Derivatives					
Derivative financial liabilities	78				
– inflow		2,093	1,094	999	–
– outflow		(2,197)	(1,149)	(1,045)	(3)
Derivative financial assets	(122)				
– inflow		1,270	744	515	11
– outflow		(1,148)	(662)	(486)	–
Non-derivative financial liabilities					
Trade and other payables*	3,234	(3,234)	(3,121)	(35)	(78)
Put liability to acquire non-controlling interest	216	(216)	–	(216)	–
Interest-bearing borrowings	9,221	(12,492)	(2,595)	(5,570)	(4,327)
	12,627	(15,924)	(5,689)	(5,838)	(4,397)
Company					
2018					
Non-derivative financial liabilities					
Trade and other payables*	398	(432)	(139)	(146)	(147)
2017					
Non-derivative financial liabilities					
Trade and other payables*	406	(449)	(141)	(155)	(153)
January 1, 2017					
Non-derivative financial liabilities					
Trade and other payables*	401	(453)	(142)	(153)	(158)

* Excludes advance payments, deferred grants, rental payable, Goods and Services Tax and employee benefits

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

c. Liquidity Risk *(cont'd)*

The following table indicates the periods in which the cash flow associated with derivatives that are cash flow hedges are expected to impact the profit or loss and the fair value of the related hedging instruments.

(S$ million)	Carrying amount	Cash Flows: Contractual cash flow	Less than 1 year	Between 1 and 5 years	Over 5 years
Group					
2018					
Derivative financial liabilities	99				
– inflow		1,167	890	278	–
– outflow		(1,265)	(951)	(313)	(1)
Derivative financial assets	(114)				
– inflow		1,519	715	804	–
– outflow		(1,452)	(713)	(740)	–
	(15)	(31)	(59)	29	(1)
2017					
Derivative financial liabilities	56				
– inflow		1,282	255	1,027	–
– outflow		(1,402)	(304)	(1,090)	(8)
Derivative financial assets	(104)				
– inflow		1,079	544	535	–
– outflow		(979)	(476)	(503)	–
	(48)	(20)	19	(31)	(8)
January 1, 2017					
Derivative financial liabilities	53				
– inflow		1,376	377	999	–
– outflow		(1,451)	(403)	(1,045)	(3)
Derivative financial assets	(79)				
– inflow		692	510	181	*
– outflow		(614)	(448)	(166)	–
	(26)	3	36	(31)	(3)
Company					
January 1, 2017					
Derivative financial liabilities	–				
– inflow		28	28	–	–
– outflow		(28)	(28)	–	–
	–	–	–	–	–

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

d. Estimation of Fair Values

SFRS(I) 13 establishes a fair value hierarchy that prioritises the inputs used to measure fair value. The three levels of the fair value input hierarchy defined by SFRS(I) 13 are as follows:

- Level 1 – Fair values are measured based on quoted prices (unadjusted) from active markets for identical financial instruments.
- Level 2 – Fair values are measured using inputs, other than those used for Level 1, that are observable for the financial instruments either directly (prices) or indirectly (derived from prices).
- Level 3 – Fair values are measured using inputs which are not based on observable market data (unobservable input).

Securities

The fair value of financial assets at fair value through profit or loss, and available-for-sale financial assets, is based on quoted market prices (bid price) in an active market at the balance sheet date without any deduction for transaction costs. If the market for a quoted financial asset is not active, and for unquoted financial assets, the Group establishes fair value by using other valuation techniques.

Derivatives

The fair value of foreign exchange contracts and foreign exchange swaps are accounted for based on the difference between the contractual price and the current market price.

The fair values of interest rate swaps and cross currency swaps are the indicative amounts that the Group is expected to receive or pay to terminate the swap with the swap counterparties at the balance sheet date.

The fair value of fuel oil swaps contracts is accounted for based on the difference between the contractual strike price with the counterparty and the current market price.

The fair value of the put liability derivatives is accounted based on the share price and volatility in share price of the option.

Contracts for differences (CFDs) are accounted for based on the difference between the contracted price entered into with the counterparty and the reference price. The electricity futures market was launched on April 1, 2015. There have been minimal trades made and the fair values of the electricity futures would need to be adjusted to reflect the illiquidity. The utilisation of valuation techniques involving prices from the electricity futures market to compute the fair values of the CFDs will result in a wide range of estimated fair values. As such, it is determined that the fair value of the CFDs cannot be measured reliably. The CFDs are measured at cost at the measurement date. Upon settlement, the gains and losses for CFDs are taken to profit or loss.

Non-derivative non-current financial assets and liabilities

Carrying amount of non-derivative non-current financial assets and liabilities which bear floating interest are assumed to approximate their fair value because of the short period to repricing. Fair values determined for the remaining non-derivative non-current financial assets and liabilities are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date. This includes determination for fair value disclosure purpose as well.

Fair value determined for the put liability is calculated based on the present value of the obligation computed based on the expected exercise price.

For finance leases, the market rate of interest is determined by reference to similar lease agreements.

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

d. Estimation of Fair Values *(cont'd)*

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

For financial instruments that are not actively traded in the market, the fair value is determined by independent third party or using valuation techniques where applicable. The Group may use a variety of methods and make assumptions that are based on existing market conditions at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used to estimate the fair value for medium term notes for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. Where discounted cash flow techniques are used, the management will estimate the future cash flows and use relevant market rate as the discount rate at the balance sheet date.

e. Fair Value Hierarchy

The following table sets forth by level within the fair value hierarchy of the financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2018. These financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgement, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Financial assets and liabilities carried at fair value

	Fair value measurement using:			
(S$ million)	**Level 1**	**Level 2**	**Level 3**	**Total**
Group				
At December 31, 2018				
Financial assets at FVOCI	71	–	37	108
Financial assets at FVTPL	56	–	15	71
Derivative financial assets	–	153	–	153
	127	153	52	332
Derivative financial liabilities	–	(105)	–	(105)
	127	48	52	227
At December 31, 2017				
Available-for-sale financial assets	147	1	39	187
Derivative financial assets	–	128	–	128
	147	129	39	315
Derivative financial liabilities	–	(67)	–	(67)
	147	62	39	248
At January 1, 2017				
Available-for-sale financial assets	153	1	37	191
Derivative financial assets	–	127	–	127
	153	128	37	318
Put liability	–	–	(216)	(216)
Derivative financial liabilities	–	(78)	–	(78)
	153	50	(179)	24

In 2018 and 2017, there have been no transfers between the different levels of the fair value hierarchy.

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

e. Fair Value Hierarchy *(cont'd)*

Level 3 fair values

i. Financial assets at FVOCI (2017: available-for-sale financial assets)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements of financial assets at FVOCI (2017: available-for-sale financial assets) in Level 3 of the fair value hierarchy:

(S$ million)	Financial assets at FVOCI
Group	
At January 1, 2018	39
Additions	3
Net change in fair value recognised in OCI	(5)
At December 31, 2018	37

(S$ million)	Available-for-sale
Group	
At January 1, 2017	37
Additions	1
Net change in fair value recognised in OCI	1
At December 31, 2017	39

Financial asset at FVOCI (2017: available-for-sale financial assets) in Level 3 of the fair value hierarchy include unquoted equity shares (2017: unquoted equity shares, venture capital funds and unquoted funds).

The fair value of the unquoted equity shares and venture capital funds are determined by reference to the investment's net asset values as stated in the unaudited financial statements and audited fund valuation report respectively.

The fair value of the unquoted funds is based on the latest available unaudited net asset values of the underlying funds provided by the administrator of those funds on the basis that their net asset values approximate their fair value at reporting date. The key unobservable inputs include net asset value for fund investment and / or recent transaction price among investors.

The estimated fair value would increase / (decrease) if the net asset values for unquoted equity shares and fund investments were higher / (lower), or if the recent transaction prices were higher / (lower).

i. Financial assets at FVOCI (2017: available-for-sale financial assets) *(cont'd)*

*Assets and liabilities not carried at fair value but for which fair values are disclosed**

	Fair value measurement using:			
(S$ million)	Level 1	Level 2	Level 3	Total
Group				
At December 31, 2018				
Investment properties	–	132	22	154
Associate	240	–	–	240
Service concession receivables	–	1,068	–	1,068
Long-term interest-bearing borrowings	–	(8,821)	–	(8,821)
At December 31, 2017				
Investment properties	–	130	23	153
Associate	309	–	–	309
Service concession receivables	–	897	–	897
Long-term interest-bearing borrowings	–	(8,264)	–	(8,264)
At January 1, 2017				
Investment properties	–	58	33	91
Associate	328	–	–	328
Service concession receivables	–	477	–	477
Long-term interest-bearing borrowings	–	(7,007)	–	(7,007)
Company				
At December 31, 2018				
Investment in a subsidiary	1,962	–	–	1,962
Amounts due from related parties	–	267	–	267
At December 31, 2017				
Investment in a subsidiary	2,345	–	–	2,345
Amounts due from related parties	–	225	–	225
At January 1, 2017				
Investment in a subsidiary	1,758	–	–	1,758
Amounts due from related parties	–	198	–	198

* Excludes financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature, frequent pricing and where the effect of discounting is immaterial.

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

f. Fair Value versus Carrying Amounts

(S$ million)	Note	Mandatorily at FVTPL	Fair value – hedging instruments	FVOCI – equity instruments	Financial assets at amortised costs	Other financial liabilities	Total carrying amount	Fair value
Group								
December 31, 2018								
Cash and cash equivalents	16	–	–	–	1,925	–	1,925	1,925
Trade receivables	8	–	–	–	2,041	–	2,041	2,041
Service concession receivables	8	–	–	–	1,065	–	1,065	1,068
Long-term fixed deposit	7	–	–	–	25	–	25	25
Other financial assets at amortised costs*	8	–	–	–	983	–	983	983
Amounts due from related parties	10	–	–	–	160	–	160	160
Financial asses at FVOCI:								
– Equity shares	7	–	–	108	–	–	108	108
Financial assets at FVTPL:								
– Cross currency swaps	7	8	–	–	–	–	8	8
– Foreign exchange swap contracts	7	5	–	–	–	–	5	5
– Unit trusts and funds	7	71	–	–	–	–	71	71
Hedge of net investment in foreign operations:								
– Forward foreign exchange contracts	7	–	26	–	–	–	26	26
Cash flow hedges:								
– Forward foreign exchange contracts	7	–	14	–	–	–	14	14
– Fuel oil swaps	7	–	7	–	–	–	7	7
– Interest rate swaps	7	–	2	–	–	–	2	2
– Cross currency swaps	7	–	90	–	–	–	90	90
– Electricity futures market contracts	7	–	1	–	–	–	1	1
		84	140	108	6,199	–	6,531	6,534
Trade payables	17	–	–	–	–	1,094	1,094	1,094
Other payables**	17	–	–	–	–	1,831	1,831	1,831
Other long-term payables**	17	–	–	–	–	27	27	27
Amounts due to related parties**	19	–	–	–	–	11	11	11
Financial liabilities at FVTPL, on initial recognition:								
– Forward foreign exchange contracts	21	2	–	–	–	–	2	2
– Commodity swap contracts	21	2	–	–	–	–	2	2
– Cross currency swaps	21	2	–	–	–	–	2	2
Cash flow hedges:								
– Interest rate swaps	21	–	13	–	–	–	13	13
– Forward foreign exchange contracts	21	–	17	–	–	–	17	17
– Fuel oil swaps	21	–	68	–	–	–	68	68
– Electricity futures market contracts	21	–	1	–	–	–	1	1
Interest-bearing borrowings:								
– Short-term borrowings	23	–	–	–	–	1,861	1,861	1,861
– Long-term borrowings	23	–	–	–	–	8,868	8,868	8,821
– Finance lease liabilities	23	–	–	–	–	3	3	3
		6	99	–	–	13,695	13,800	13,753

* Excludes Goods and Services Tax

** Excludes advance payments, deferred income, deferred grants, Goods and Services Tax, rental payables, and employee benefits

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

f. Fair Value versus Carrying Amounts *(cont'd)*

(S$ million)	Note	Designated at fair value	Fair value – hedging instruments	Available-for-sale	Loans and receivables	Other financial liabilities within the scope of FRS 39	Other financial liabilities outside the scope of FRS 39	Total carrying amount	Fair value
Group									
December 31, 2017									
Cash and cash equivalents	16	–	–	–	2,687	–	–	2,687	2,687
Trade receivables	8	–	–	–	1,206	–	–	1,206	1,206
Service concession receivables	8	–	–	–	893	–	–	893	897
Other loans and receivables*	8	–	–	–	586	–	–	586	586
Amounts due from related parties	10	–	–	–	109	–	–	109	109
Available-for-sale financial assets:									
– Equity shares	7	–	–	122	–	–	–	122	119
– Unit trusts and funds	7	–	–	67	–	–	–	67	67
Financial assets at FVTPL, on initial recognition:									
– Cross currency swaps	7	6	–	–	–	–	–	6	6
– Foreign exchange swap contracts	7	1	–	–	–	–	–	1	1
– Commodity swap contracts	7	2	–	–	–	–	–	2	2
Hedge of net investment in foreign operations:									
– Cross currency swaps	7	–	14	–	–	–	–	14	14
Cash flow hedges:									
– Forward foreign exchange contracts	7	–	57	–	–	–	–	57	57
– Fuel oil swaps	7	–	43	–	–	–	–	43	43
– Cross currency swaps	7	–	4	–	–	–	–	4	4
Fair value hedges:									
– Forward foreign exchange contracts	7	–	1	–	–	–	–	1	1
		9	119	189	5,481	–	–	5,798	5,799
Trade payables	17	–	–	–	–	1,113	–	1,113	1,113
Other payables**	17	–	–	–	–	2,179	–	2,179	2,179
Other long-term payables**	17	–	–	–	–	34	–	34	34
Amounts due to related parties**	19	–	–	–	–	6	–	6	6
Financial liabilities at FVTPL, on initial recognition:									
– Forward foreign exchange contracts	21	4	–	–	–	–	–	4	4
– Cross currency swaps	21	7	–	–	–	–	–	7	7
Cash flow hedges:									
– Interest rate swaps	21	–	15	–	–	–	–	15	15
– Forward foreign exchange contracts	21	–	7	–	–	–	–	7	7
– Fuel oil swaps	21	–	3	–	–	–	–	3	3
– Cross currency swaps	21	–	31	–	–	–	–	31	31
Interest-bearing borrowings:									
– Short-term borrowings	23	–	–	–	–	1,571	–	1,571	1,571
– Long-term borrowings	23	–	–	–	–	8,272	–	8,272	8,264
– Finance lease liabilities	23	–	–	–	–	–	4	4	4
		11	56	–	–	13,175	4	13,246	13,238

* Excludes Goods and Services Tax

** Excludes advance payments, deferred income, deferred grants, Goods and Services Tax, rental payables, and employee benefits

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

f. Fair Value versus Carrying Amounts *(cont'd)*

(S$ million)	Note	Designated at fair value	Fair value – hedging instruments	Available-for-sale	Loans and receivables	Other financial liabilities within the scope of FRS 39	Other financial liabilities outside the scope of FRS 39	Total carrying amount	Fair value
Group									
January 1, 2017									
Cash and cash equivalents	16	–	–	–	1,882	–	–	1,882	1,882
Trade receivables	8	–	–	–	932	–	–	932	932
Service concession receivables	8	–	–	–	473	–	–	473	477
Other loans and receivables*	8	–	–	–	685	–	–	685	685
Amounts due from related parties	10	–	–	–	182	–	–	182	182
Available-for-sale financial assets:									
– Equity shares	7	–	–	151	–	–	–	151	149
– Unit trusts and funds	7	–	–	43	–	–	–	43	43
Financial assets at FVTPL, on initial recognition:									
– Forward foreign exchange contracts	7	19	–	–	–	–	–	19	19
– Cross currency swaps	7	11	–	–	–	–	–	11	11
Hedge of net investment in foreign operations:									
– Cross currency swaps	7	–	13	–	–	–	–	13	13
Cash flow hedges:									
– Forward foreign exchange contracts	7	–	47	–	–	–	–	47	47
– Fuel oil swaps	7	–	30	–	–	–	–	30	30
– Interest rate swaps	7	–	3	–	–	–	–	3	3
Fair value hedges:									
– Forward foreign exchange contracts	7	–	4	–	–	–	–	4	4
		30	97	194	4,154	–	–	4,475	4,477
Trade payables	17	–	–	–	–	1,077	–	1,077	1,077
Other payables**	17	–	–	–	–	2,047	–	2,047	2,047
Other long-term payables**	17	–	–	–	–	23	–	23	19
Amounts due to related parties**	19	–	–	–	–	9	–	9	9
Financial liabilities at FVTPL, on initial recognition:									
– Forward foreign exchange contracts	21	18	–	–	–	–	–	18	18
– Foreign exchange swap contracts	21	5	–	–	–	–	–	5	5
– Cross currency swaps	21	1	–	–	–	–	–	1	1
Cash flow hedges:									
– Interest rate swaps	21	–	4	–	–	–	–	4	4
– Forward foreign exchange contracts	21	–	33	–	–	–	–	33	33
– Fuel oil swaps	21	–	9	–	–	–	–	9	9
– Cross currency swaps	21	–	8	–	–	–	–	8	8
Put liability to acquire non-controlling interests	21	–	–	–	–	216	–	216	216
Interest-bearing borrowings:									
– Short-term borrowings	23	–	–	–	–	2,125	–	2,125	2,125
– Long-term borrowings	23	–	–	–	–	7,094	–	7,094	7,007
– Finance lease liabilities	23	–	–	–	–	–	3	3	3
		24	54	–	–	12,591	3	12,672	12,581

* Excludes Goods and Services Tax

** Excludes advance payments, deferred income, deferred grants, Goods and Services Tax, rental payables, and employee benefits

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

f. Fair Value versus Carrying Amounts *(cont'd)*

(S$ million)	Note	Financial assets at amortised costs	Other financial liabilities	Total carrying amount	Fair value
Company					
December 31, 2018					
Cash and cash equivalents	16	759	–	759	759
Trade receivables	8	26	–	26	26
Other financial assets at amortised costs*	8	56	–	56	56
Amounts due from related parties	10	279	–	279	278
		1,120	–	1,120	1,119
Trade payables	17	–	14	14	14
Other payables**	17	–	113	113	113
Amounts due to related parties	19	–	247	247	246
		–	374	374	373

* Excludes Goods and Services Tax

** Excludes advance payments, deferred income, deferred grants, Goods and Services Tax, rental payables, and employee benefits

(S$ million)	Note	Loans and receivables	Other financial liabilities within the scope of FRS 39	Total carrying amount	Fair value
Company					
December 31, 2017					
Cash and cash equivalents	16	720	–	720	720
Trade receivables	8	40	–	40	40
Other loans and receivables*	8	88	–	88	88
Amounts due from related parties	10	230	–	230	234
		1,078	–	1,078	1,082
Trade payables	17	–	7	7	7
Other payables**	17	–	113	113	113
Amounts due to related parties	19	–	257	257	263
		–	377	377	383

* Excludes Goods and Services Tax

** Excludes advance payments, deferred income, deferred grants, Goods and Services Tax, rental payables, and employee benefits

39. Financial Instruments *(cont'd)*

Financial Risk Management Objectives and Policies *(cont'd)*

f. Fair Value versus Carrying Amounts *(cont'd)*

(S$ million)	Note	Loans and receivables	Other financial liabilities within the scope of FRS 39	Total carrying amount	Fair value
Company					
January 1, 2017					
Cash and cash equivalents	16	390	–	390	390
Trade receivables	8	78	–	78	78
Other loans and receivables*	8	84	–	84	84
Amounts due from related parties	10	205	–	205	205
		757	–	757	757
Trade payables	17	–	9	9	9
Other payables**	17	–	119	119	119
Amounts due to related parties	19	–	249	249	244
Cash flow hedges:					
– Forward foreign exchange contracts	7	–	–	–	–
		–	377	377	372

* Excludes Goods and Services Tax

** Excludes advance payments, deferred income, deferred grants, Goods and Services Tax, rental payables, and employee benefits

g. Capital Management

The Group aims to maintain a sound capital base so as to maintain investor, creditor and market's confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders. The Group monitors Economic Value Added attributable to shareholders, which the Group defines as net operating profit after tax less capital charge excluding non-controlling interests. Management also monitors the level of dividends paid to ordinary shareholders.

The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Capital is defined as equity attributable to the equity holders. The Group's debt to capitalisation ratio as at the balance sheet was as follows:

	Group	
(S$ million)	2018	2017
Debt	**10,732**	9,847
Total equity	**7,938**	8,174
Total debt and equity	**18,670**	18,021
Debt-to-capitalisation ratio	**0.57**	0.55

There were no changes in the Group's approach to capital management during the year.

Some of its subsidiaries are required to maintain certain ratios of consolidated net borrowings to consolidated net assets. These externally imposed capital requirements have been complied with as at the respective reporting dates.

40. Contingent Liabilities (Unsecured)

Group

The Group has provided guarantees to banks to secure banking facilities provided to joint ventures. These financial guarantee contracts are accounted for as insurance contracts. The principal risk to which the Group and the Company is exposed is credit risk in connection with guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate this risk, management continually monitors the risk and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Group's and Company's future cash flows.

Estimates of the Group's and Company's obligation arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions made may well vary from actual experience so that the actual liability may vary considerably from the best estimates. As of balance sheet date, there is no provision made in respect of the obligations.

As at the balance sheet date, the Group had the following contingent liabilities:

	Group		
(S$ million)	**December 31, 2018**	**December 31, 2017**	**January 1, 2017**
Guarantees given to banks to secure banking facilities provided to:			
– Joint ventures	**212**	438	517
– Others	**121**	71	35
Performance guarantees to external parties	**372**	333	519

The periods in which the financial guarantees expire are as follows:

	Group		
(S$ million)	**December 31, 2018**	**December 31, 2017**	**January 1, 2017**
Less than 1 year	**83**	114	139
Between 1 to 5 years	**116**	308	326
More than 5 years	**134**	86	88
	333	508	553

The Group's subsidiaries are involved in certain tax disputes, where the amount of potential expense has been estimated to be approximately S$52 million (2017: S$18 million). Due to the nature of these tax disputes, the potential outcome and obligation is uncertain. No provisions have been recorded in this regard.

40. Contingent Liabilities (Unsecured) *(cont'd)*

Company

a. The Company has provided guarantees to banks to secure banking facilities provided to a wholly-owned subsidiary, Sembcorp Financial Services Pte Ltd. These financial guarantee contracts are accounted for as insurance contracts.

   Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to S$5,034 million (2017: S$4,400 million), which include S$2,436 million (2017: S$2,006 million) drawn down as at balance sheet date. The periods in which the financial guarantees expire are as follows:

	Company		
(S$ million)	**December 31, 2018**	**December 31, 2017**	**January 1, 2017**
Less than 1 year	**14**	20	195
Between 1 to 5 years	**1,772**	1,339	454
More than 5 years	**650**	647	450
	2,436	2,006	1,099

b. The Company has provided corporate guarantees of S$117 million (2017: S$87 million) to a subsidiary, Sembcorp Cogen Pte Ltd (SembCogen) for the following:

   i. Long-term contract (End User Agreement) dated January 15, 1999 with a fellow subsidiary, Sembcorp Gas Pte Ltd (SembGas) to purchase natural gas over the period of 22 years.

      Under the End User Agreement, the Company and one of its subsidiaries, Sembcorp Utilities Pte Ltd, issued corporate guarantees in favour of SembGas for 70% and 30% respectively of SembCogen's obligations under the End User Agreement.

   ii. Two long-term agreements entered in 2010 for the purchase of a total 42 BBtud (Billion British thermal units per day) of liquefied natural gas (LNG) from BG Singapore Gas Marketing Pte Ltd (BG). The agreements have a term of 10 years and SembCogen has an option to extend the term by 2 successive periods of 5 years each subject to fulfilment of conditions set in the agreements. The obligations of SembCogen under the LNG purchase agreements are currently secured by corporate guarantees issued by the Company in favour of BG.

41. Commitments

Commitments not provided for in the financial statements are as follows:

(S$ million)	Group 2018	2017
– Commitments in respect of contracts placed	**886**	705
– Uncalled capital and commitments to subscribe for additional shares in joint ventures and other investments	**63**	156
	949	861

At the balance sheet date, commitments in respect of payments for non-cancellable operating leases mainly for land and buildings, with a term of more than one year are as follows:

(S$ million)	Group December 31, 2018	December 31, 2017	January 1, 2017	Company December 31, 2018	December 31, 2017	January 1, 2017
Lease payments due:						
Within 1 year	**42**	35	38	**9**	9	9
Between 1 and 5 years	**114**	100	112	**21**	24	30
After 5 years	**628**	425	453	**35**	37	46
	784	560	603	**65**	70	85

Lease payments on the above leases are usually adjusted annually to reflect market rentals.

There are no significant contingent rentals on the above leases. Certain leases contain escalation clauses to reflect market rentals. Certain leases include renewal options for additional lease period of 10 to 30 years and at rental rates based on prevailing market rates.

The Group leases out its investment properties and marine vessel. For the leases of the marine vessel, the initial lease term is 5 years, with an option to extend for another 5 years. The lease agreement provides for additional lease payments annually based on changes to a price index. Non-cancellable operating lease rentals are receivable as follows:

(S$ million)	Group 2018	2017
Lease receivable:		
Within 1 year	**6**	43
Between 1 and 5 years	**10**	6
More than 5 years	**2**	3
	18	52

42. Segment Reporting

a. Operating Segments

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

i. The Utilities segment's principal activities are in the provision of energy and water to industrial, commercial and municipal customers. Key activities in the energy sector include power generation, process steam production, as well as natural gas importation. In the water sector, the business offers wastewater treatment as well as the production of reclaimed, desalinated and potable water and water for industrial use. In addition, the business also provides on-site logistics, solid waste management and specialised project management, engineering and procurement services.

ii. The Marine segment focuses principally on providing integrated solutions for the offshore and marine industry. Key capabilities include rigs & floaters; repairs & upgrades; offshore platforms and specialised shipbuilding.

iii. The Urban Development segment owns, develops, markets and manages integrated urban developments comprising industrial parks as well as business, commercial and residential space in Asia.

iv. The Others / Corporate segment comprises businesses mainly relating to minting, design and construction activities, offshore engineering and others.

42. Segment Reporting *(cont'd)*

a. Operating Segments *(cont'd)*

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Information regarding the results of each reportable segment is included below:

(S$ million)	Utilities	Marine	Urban Development	Others / Corporate	Elimination	Total
2018						
Turnover						
External sales	6,536	4,888	5	260	–	11,689
Inter-segment sales	33	–	*	54	(87)	–
Total	6,569	4,888	5	314	(87)	11,689
Results						
Segment results	728	(58)	*	(3)	–	667
Share of results of associates and joint ventures, net of tax	92	(2)	94	(10)	–	174
Profit from operations	820	(60)	94	(13)	–	841
Finance income	35	55	1	101	(105)	87
Finance costs	(425)	(101)	(5)	(82)	105	(508)
	430	(106)	90	6	–	420
Tax (expense) / credit	(98)	22	*	(12)	–	(88)
Non-controlling interests	(20)	36	(4)	3	–	15
Net profit for the year	312	(48)	86	(3)	–	347
Assets						
Segment assets	12,617	8,483	698	3,568	(3,892)	21,474
Associates and joint ventures	946	67	666	62	–	1,741
Tax assets	65	34	4	3	–	106
Total assets	13,628	8,584	1,368	3,633	(3,892)	23,321
Liabilities						
Segment liabilities	9,230	6,164	494	2,809	(3,892)	14,805
Tax liabilities	493	62	1	22	–	578
Total liabilities	9,723	6,226	495	2,831	(3,892)	15,383
Capital expenditure	818	342	*	7	–	1,167
Significant non-cash items						
Depreciation and amortisation	380	201	1	13	–	595
Allowance for impairment in value of assets and assets written off (net)	10	5	–	1	–	16
Inventories written back, net	(2)	1	–	*	–	(1)
Gain on disposal of property, plant and equipment	(1)	(3)	–	*	–	(4)
Impairment of goodwill	–	–	–	1	–	1
Allowance for / (write-back of) doubtful debts and bad debts (net)	2	3	(2)	*	–	3
Provision for fines	25	–	–	–	–	25
Gain on disposal of other financial assets	4	*	–	15	–	19
Gain on disposal in subsidiaries	8	*	–	3	–	11

42. Segment Reporting *(cont'd)*

a. Operating Segments *(cont'd)*

(S$ million)	Utilities	Marine	Urban Development	Others / Corporate	Elimination	Total
2017						
Turnover						
External sales	5,697	3,035	8	286	–	9,026
Inter-segment sales	29	–	4	65	(98)	–
Total	5,726	3,035	12	351	(98)	9,026
Results						
Segment results	581	354	(13)	(2)	–	920
Share of results of associates and joint ventures, net of tax	69	(4)	103	(4)	–	164
Profit from operations	650	350	90	(6)	–	1,084
Finance income	31	23	*	70	(70)	54
Finance costs	(441)	(96)	(4)	(56)	70	(527)
	240	277	86	8	–	611
Tax expense	(89)	(24)	*	(5)	–	(118)
Non-controlling interests	(11)	(96)	(3)	*	–	(110)
Net profit for the year	140	157	83	3	–	383
Assets						
Segment assets	11,734	9,611	384	2,933	(2,774)	21,888
Associates and joint ventures	869	68	735	93	–	1,765
Tax assets	62	25	2	3	–	92
Total assets	12,665	9,704	1,121	3,029	(2,774)	23,745
Liabilities						
Segment liabilities	8,029	7,121	274	2,334	(2,774)	14,984
Tax liabilities	484	88	*	15	–	587
Total liabilities	8,513	7,209	274	2,349	(2,774)	15,571
Capital expenditure	479	194	*	16	–	689
Significant non-cash items						
Depreciation and amortisation	360	197	3	11	–	571
Allowance for impairment in value of assets and assets written off, net	28	3	–	–	–	31
Impairment of goodwill	26	–	–	–	–	26
Impairment of investment in an associate	4	–	–	–	–	4
Write-back of doubtful debts and bad debts, net	(16)	–	–	–	–	(16)
Gain on disposal of assets held for sale	–	(47)	–	–	–	(47)
Assumption of liabilities on behalf of a joint venture	–	11	–	–	–	11
Gain on disposal / liquidation of investment in subsidiaries	(4)	(1)	–	–	–	(5)
Contract costs written back, net	–	(20)	–	–	–	(20)
Provision for fines	25	–	–	–	–	25
Gain on disposal of other financial assets	(3)	(17)	–	(1)	–	(21)

42. Segment Reporting *(cont'd)*

b. Geographical Segments

The Group's geographical segments are presented in ten principal geographical areas: Singapore, China, India, Rest of Asia, Middle East & Africa, UK, Norway, Rest of Europe, Brazil, USA and Other Countries. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and total assets are based on the geographical location of the assets.

(S$ million)	Singapore	China	India	Rest of Asia	Middle East & Africa	UK	Norway	Rest of Europe	Brazil	USA	Other Countries	Total
2018												
Revenue from external customers	4,204	219	1,687	647	116	649	1,628	963	243	1,186	147	11,689
Total assets	9,986	2,126	6,482	1,659	359	424	147	225	1,721	4	158	23,321
Non-current assets	5,534	1,533	5,266	1,488	324	814	137	196	1,520	2	183	16,997
Capital expenditure	384	20	513	1	3	145	*	*	89	*	12	1,167
2017												
Revenue from external customers	3,581	155	1,595	668	163	1,057	242	1,934	213	177	299	9,026
Total assets	10,905	1,848	6,464	1,676	446	265	153	648	1,570	6	163	23,745
Non-current assets	4,579	1,522	5,282	1,389	388	123	147	563	1,432	5	178	15,253
Capital expenditure	161	29	367	3	4	10	*	*	96	*	19	689

43. Significant Accounting Estimates and Judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. These affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Information on other significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

a. Impairment of Non-financial Assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other intangible assets are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

This requires an estimation of the value-in-use of the cash-generating units to which the non-financial assets are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Information about the assumptions and their risk factors relating to non-financial assets are disclosed in Note 3 and 12.

43. Significant Accounting Estimates and Judgements *(cont'd)*

Key Sources of Estimation Uncertainty *(cont'd)*

b. Taxes

The Group is subjected to taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for taxes. In determining the amount of current and deferred taxes, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due.

There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. The Group believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the taxes and deferred tax provisions in the period in which such determination is made. The tax expense is disclosed in Note 30.

Deferred Tax Assets

Certain subsidiaries of the Group have tax benefits arising from unutilised tax losses, tax credits and deductible temporary differences, which are available for set-off against future taxable profits. Of these, the utilisation of these tax benefits, for which deferred tax asset was recognised, is promised on these subsidiaries' ability to generate taxable profits in the foreseeable future. This is, however, highly dependent on macroeconomic conditions impacting the offshore and marine sector, expected movements and recovery of oil prices, and financial strength of the subsidiaries' customers, which would then significantly affect the realisability of these deferred tax assets.

c. Pension Assumptions

The Group has decided on certain principal actuarial assumptions, as detailed in Note 22, in estimating its pension liability as at the balance sheet date. If there were adverse changes to these actuarial assumptions, then the Group's re-measurements from defined benefit plans would increase.

d. Depreciation of Property, Plant and Equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 60 years. The carrying amounts of the Group's property, plant and equipment are set out in Note 3. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

During the year, the Group revised its estimates of the useful lives of certain assets at Tanjong Kling Yard. The effect of the changes is shown in Note 3.

e. Provision for Restoration Costs

The provision recognised represents management's best estimate of the present value of the future costs required. Significant estimates and assumptions are made in determining the amount of restoration provisions. Those estimates and assumptions deal with uncertainties such as: changes to the relevant legal and regulatory framework; the timing, extent and costs required. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provisions recognised are periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the balance sheet by adjusting both the asset and provision. Such changes give rise to a change in future depreciation and interest charges.

43. Significant Accounting Estimates and Judgements *(cont'd)*

Key Sources of Estimation Uncertainty *(cont'd)*

f. Fair Value Measurement

The Group has made certain assumptions in estimating fair values which are defined in Note 2(ac).

g. Provisions and Contingent Liabilities

Estimates of the Group's obligations arising from contracts or regulations that exist as at balance sheet date may be affected by future events, which cannot be predicted with any certainty. The assumptions and estimates are made based on the management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates.

Warranty

The provision for warranty is based on estimates from known and expected warranty work and contractual obligation for further work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made. Movements in provision for warranty are detailed in Note 20.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. Movements in provisions and disclosure of contingent liabilities are detailed in Note 20 and Note 40 respectively.

Certain of the Group's subsidiaries are involved in claims, litigations, land disputes and other regulatory matters in certain countries as at the year end. This includes the uncertainties surrounding the suspension of the Great Britain capacity markets scheme as well as uncertainties related to the effects of Brexit, whereby the full range of possible effects remain unknown. Due to the nature of these disputes and matters and also in view of the uncertainty of the outcome, the Group believes that the amount of exposure cannot currently be determinable. Therefore no impairment, revision of useful life or provision for restoration cost, where applicable, has been recorded.

h. Determination of Net Realisable Value of Inventories

The net realisable value of inventories of subsidiaries in the Marine sector is estimated by reference to contract prices. However, such net realisable value may not be the actual realisable value, arising from contract modifications, if any, which may result in other variable considerations. Such contract modifications may significantly affect the eventual realisable value of inventories and there is a significant risk of resulting in a material adjustment to the carrying amounts of inventories in future periods.

43. Significant Accounting Estimates and Judgements *(cont'd)*

Critical Accounting Judgements in Applying the Group's Accounting Policies

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

a. Revenue Recognition and Assessment of Risk of Losses on Long-term Construction Contracts

The Group has assessed that the following contracts with customers: long-term contracts for ship and rig building, long-term contracts for ship and rig conversion, infrastructure construction and engineering services, consultancy services, waste management services, environmental management services, sale of electricity, utilities and gases and the related services respectively, as well as repair work, engineering, overhaul and related services respectively, each has a single performance obligation in view that the services in the contracts are not distinct and / or are integrated.

Significant judgement is required in determining whether the performance obligations are distinct. Such considerations include the Group's assessment of whether the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customers and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contracts.

For contracts with variable considerations (i.e. liquidated damages, buyer has the right to rescind the output for delivery of utilities and gas which do not meet the buyer's specifications), the Group has applied judgement in determining the transaction price for the recognition of revenue. Such judgement includes assessment of the evaluation of any potential risks and factors which may affect the completion or delivery of the contracts, in accordance with the contractual obligations.

For revenue recognised over time, the percentage of completion for certain contracts is assessed by reference to the contract costs incurred till date in proportion to the total estimated contract costs for each contract. Significant judgement is used to estimate these total contract costs to complete. In making these estimates, management has relied on the expertise of surveying engineers and also past experience of completed projects. The estimated total costs is reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

The Group conducts critical review of all its long-term construction contracts regularly. Allowance is made where necessary to account for onerous contracts. To determine the total costs, the Group monitors and reviews the progress of all long-term land development and construction contracts, taking into consideration inputs from internal project managers and external customers. Significant judgement has been exercised in estimating these total contract costs to complete as well as in the evaluation of any potential risks and factors which may affect contract price, cost and timely completion of these contracts. The review also encompasses the cost analysis process whereby both actual costs incurred and future costs to complete are critically examined.

Cost Allocation Method on Long-term Land Development Contracts

Land development costs incurred are capitalised as work-in-progress and allocated to the respective parcels of land based on the relative sales method.

43. Significant Accounting Estimates and Judgements *(cont'd)*

Critical Accounting Judgements in Applying the Group's Accounting Policies *(cont'd)*

b. Contract Costs – Fulfilment Costs

For ship and rig building contracts with customers where revenue is recognised at a point in time (i.e. upon delivered to customer), the costs incurred during the construction phase are recognised as an asset (i.e. contract costs – fulfilment). Upon fulfilment of the performance obligation and recognition of revenue, these costs will be recognised in profit or loss. Significant judgement is required to determine if the contract costs recognised are expected to be recovered. Such judgement includes assessment of the evaluation of any potential risks and factors which may affect the customer ability to take delivery of the ship and rig. The review also encompasses the analysis of the industry outlook and the customers' financial health.

c. Impairment of Trade Receivables and Contract Assets

The loss allowances for financial assets and contract assets are based on assumptions about risk of default and expected loss rates to be applied for the respective category of the trade receivables and contract assets. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation including evaluation of the Group's past history of loss rate, existing market conditions as well as forward looking estimates at the end of each reporting period. In assessing the segmentation of the customers for the loss allowance, judgement is involved in determining the credit-worthiness and financial health of its customers. Where their conditions change, this may require changes in the customers' segmentation, which in turn may affect the level of loss allowance in future periods.

The carrying amounts of trade receivables and contract assets are disclosed in the following notes:

- Note 8 – Trade and Other Receivables
- Note 9 – Contract Assets

d. Impairment Assessment of Property, Plant and Equipment and Associates

The carrying value of property, plant and equipment is tested for impairment whenever there is any objective evidence or indication that the property, plant and equipment may be impaired. This determination and derivation of the relevant inputs require significant judgement. Such impairment would take into account the market value of the asset, changes to the technological, market, economic or legal environment in which the Group operates, market interest rates, evidence of obsolescence or physical damage to the property, plant and equipment and changes to the expected usage to the property, plant and equipment. Please refer to Notes 3 and 12 for information about the key assumptions and associated risk factors.

Impairment Assessment of the Group's Shipyards

Owing to the continued difficult market conditions impacting the offshore and marine sector, there was an indication that the Group's subsidiary, Sembcorp Marine Ltd's (SCM) shipyards (the "cash-generating units" (CGU)) might be impaired. Under the Group's formal impairment assessment of the individual CGUs in: (i) Singapore (yards in Singapore, together with their sub-contracting shipyards in Indonesia and the United Kingdom); and (ii) Brazil, the recoverable amounts for the Group's individual CGUs were determined using the value in use calculations.

The value-in-use calculation for the Group's CGUs used discounted cash flow projections which took into account management's assessment of the forecasted orderbook over period of 5 years for Singapore and Brazil (the "projection periods") with applicable growth rates for Singapore and Brazil beyond the projection periods (up to a maximum of 40 years). Key drivers supporting the recoverable amounts include: forecasted order, project margins which are projected with reference to historical experience, and terminal growth rate of less than 5%.

The cash flows are projected based on Group's historical experience, market observable data surrounding the state-owned and international oil majors' capital commitment and projected capital expenditures in oil and gas production and exploration activities, regulations relating to local content requirements in Brazil, market expectations and developments for contract order prices, and other external analysts' forecast reports in oil price movements and demands for drilling and production solutions. These cash flows are then discounted using the applicable discount rates based on their pre-tax weighted average cost of capital of 6.6% (2017: 9.5%) and 12.5% (2017: 10.0%) for the Singapore CGU and Brazil CGU respectively; and the Group assessed that no impairment loss is required for these individual CGUs.

43. Significant Accounting Estimates and Judgements *(cont'd)*

***Critical Accounting Judgements in Applying the Group's Accounting Policies** (cont'd)*

d. Impairment Assessment of Property, Plant and Equipment and Associates *(cont'd)*

Impairment Assessment of the Group's Shipyards (cont'd)

The forecasted orderbook and the forecasted margins assumed in the value in use calculation are, however, subject to estimation uncertainties that may have a significant risk of resulting in material adjustments in any future periods affected.

The estimation uncertainties of the forecasted orderbook of the Singapore CGU are, however, reduced by a certain level of orderbooks already secured by the Group. Nevertheless, there are remaining estimation uncertainties surrounding the remaining unsecured orderbook, and forecast project margins, that may result in significant adjustments in the future periods.

Certain phases of the Brazil CGU are presently undergoing yard construction and the yard will gradually ramp up to its full operational capacity. The Group has factored in the long-term fundamentals of the oil and gas industry in Brazil in their forecast. Changes in the recoverable amount are sensitive to impairment losses if the forecast orderbook and the forecasted margins beyond the near-term were to deviate significantly from the original forecast. The recoverable amount of the Brazil CGU is further subject to political risk and will be reviewed at regular intervals.

Impairment Assessment of the Group's Associate

The recoverable amount of the interest in an associate was estimated based on its value-in-use. In estimating the recoverable amount, the Group applied the relief from royalty method to value the existing intellectual properties owned by the associate. As the associate is a new start-up with various intellectual properties at different stages of their business life cycles, the discount rates applied by the Group range from 20% to 22%, to reflect the higher risks inherent in the forecasted cash flows. Any significant changes to these forecasted cash flows, caused by changes in the risk of returns of the various intellectual properties may result in material adjustments on the associate's recoverable amounts in future periods.

e. Classification of Development Properties

In assessing the classification of development properties, management considers its intention with regards to the use of the properties, i.e. held with the intention of development and sale in the ordinary course of business or for rental and capital appreciation. Where there is a change in intended use, a change in classification may be required.

f. Acquisition of subsidiaries

Please refer to Note 37 for information about the key assumptions involved in determining the fair value of the consideration transferred, identifiable assets acquired and liabilities assumed.

44. Subsidiaries

Details of key subsidiaries are as follows:

Name of key subsidiaries	Country of incorporation	Effective equity held by the Group 2018 %	2017 %
Utilities			
Sembcorp Utilities Pte Ltd[1]	Singapore	**100**	100
Sembcorp Cogen Pte Ltd[1]	Singapore	**100**	100
Sembcorp Gas Pte Ltd[1]	Singapore	**70.00**	70.00
Sembcorp Utilities (UK) Limited[2]	United Kingdom	**100**	100
Sembcorp Energy UK Limited[2]	United Kingdom	**100**	–
Sembcorp Environment Pte. Ltd.[1]	Singapore	**100**	100
SembWaste Pte Ltd[1]	Singapore	**100**	100
Sembcorp Energy India Ltd, SEIL, (formerly known as Thermal Powertech Corporation India Limited)[2,4]	India	**93.73**	86.87
Sembcorp Green Infra Limited (SGI)[3,4]	India	**93.73**	100[3]
Sembcorp Gayatri Power Limited (SGPL)[2,4]	India	**–**	88.00
Sembcorp Myingyan Power Company Limited[2]	Myanmar	**100**	100
Marine			
Sembcorp Marine Ltd[1]	Singapore	**61.01**	60.98
Jurong Shipyard Pte Ltd[1]	Singapore	**61.01**	60.98
PPL Shipyard Pte Ltd[1]	Singapore	**61.01**	60.98
Sembcorp Marine Repairs & Upgrades Pte. Ltd.[1]	Singapore	**61.01**	60.98
Sembcorp Marine Offshore Platforms Pte Ltd[1]	Singapore	**61.01**	60.98
Urban Development			
Sembcorp Development Ltd[1]	Singapore	**100**	100
Vietnam Singapore Industrial Park Pte Ltd[1]	Singapore	**96.59**	96.59
Singapore Technologies Industrial Corp Ltd[1]	Singapore	**100**	100
Nanjing Riverside Quay Co., Ltd[2]	People's Republic of China	**100**	100
Others			
Sembcorp Design and Construction Pte Ltd[1]	Singapore	**100**	100
Singapore Precision Industries Pte Ltd[1]	Singapore	**100**	100

1 Audited by KPMG LLP, Singapore

2 Audited by member firms of KPMG International

3 In 2017, the Group has acquired the remaining equity stakes of SGI (refer to Note 37)

4 In 2018, SEIL and SGPL have amalgamated into SEIL. The Group has also reorganised its India energy business and its equity stake in SEIL increased from 86.87% to 93.70% and SGI became a wholly-owned subsidiary of SEIL

The following summarises the effect of changes in the Group's ownership interest in SEIL Group:

(S$ million)	SEIL Group
Group's ownership interest at January 1, 2018*	1,360
Effect of increase in Group's ownership interest	29
Share of comprehensive income	(81)
Group's ownership interest at December 31, 2018	1,308

* Amount consists of Group's ownership interest in SEIL, SGPL and SGI before reorganisation

45. Associates, Joint Ventures and Joint Operations

Details of key associates, joint ventures and joint operations are as follows:

Name of key associates	Country of incorporation	Effective equity held by the Group 2018 %	2017 %
Utilities			
^^^ Sembcorp Salalah Power and Water Company SAOG	Oman	**40.00**	40.00
Urban Development			
^^ Wuxi-Singapore Industrial Park Development Co., Ltd	People's Republic of China	**45.36**	45.36
Name of key joint ventures			
Utilities			
^ Phu My 3 BOT Power Company Ltd.	Vietnam	**66.67**	66.67
# Shanghai Cao Jing Co-generation Co. Ltd	People's Republic of China	**30.00**	30.00
^^ Emirates Sembcorp Water & Power Company P.J.S.C	United Arab Emirates	**40.00**	40.00
# Chongqing Songzao Sembcorp Electric Power Co., Ltd	People's Republic of China	**49.00**	49.00
## Guohua AES (Huanghua) Wind Power Co., Ltd	People's Republic of China	**49.00**	49.00
Urban Development			
^^ Vietnam Singapore Industrial Park J.V. Co., Ltd.	Vietnam	**49.26**	49.26
** Sino-Singapore Nanjing Eco Hi-tech Island Development Co., Ltd	People's Republic of China	**21.50**	21.50
^^ Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	People's Republic of China	**25.00**	25.00
*** PT Kawansan Industri Kendal	Indonesia	**49.00**	49.00
Name of key joint operations			
Others			
### Sinohydro-Sembcorp Joint Venture	Singapore	**50.00**	50.00

The auditors of key associates, joint ventures and joint operations are as follows:

^^ Audited by member firms of KPMG International
^ Audited by Ernst & Young Vietnam Limited
# Audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company
** Audited by Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd, China
Audited by KPMG LLP, Singapore
*** Audited by BDO Indonesia
^^^ Audited by PricewaterhouseCoopers LLC
Audited by Baker Tilly Certified Public Accountants Co., Ltd, China

See Note 6 for details on pledges on the Company's interests in its joint ventures.

46. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and IFRS and Adoption of New Standards

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at December 31, 2017 that are applicable for annual period beginning on January 1, 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after January 1, 2018.

As stated in Note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended December 31, 2018, the comparative information presented in these financial statements for the year ended December 31, 2017 and in the preparation of the opening SFRS(I) balance sheets at January 1, 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) balance sheets, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

In addition to the adoption of the new framework, the Group will also concurrently apply the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes the clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes the amendments to IFRS 4 *Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of Investment Property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration.*

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for SFRS(I) 15 and SFRS(I) 9.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 9 and SFRS(I) 15 have affected the Group's financial position, financial performance and cash flows, and the Company's financial position is set out under the summary of quantitative impact and the accompanying notes.

Summary of Quantitative Impact

The following table summarises the impact, net of tax, of the transition to SFRS(I) 15 and SFRS(I) 9 on the Group's and the Company's balance sheets as at January 1, 2017, December 31, 2017 and January 1, 2018 and the Group's profit or loss and other comprehensive income for the year ended December 31, 2017.

46. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and IFRS and Adoption of New Standards *(cont'd)*

Summary of Quantitative Impact *(cont')*

Balance Sheets

(S$ million)	As at December 31, 2017 As reported previously	SFRS(I) 15	As reported presently	As at January 1, 2018 SFRS(I) 9	As reported presently
Group					
Non-current assets					
Associates and joint ventures	1,765	–	1,765	(2)	1,763
Trade and other receivables	1,184	–	1,184	(8)	1,176
Contract costs	–	128	128	–	128
Others	12,168	8	12,176	–	12,176
	15,117	136	15,253	(10)	15,243
Current assets					
Inventories	3,214	(2,690)	524	–	524
Trade and other receivables	2,032	62	2,094	(4)	2,090
Contract assets	–	661	661	*	661
Contract costs	–	2,363	2,363	–	2,363
Others	2,850	–	2,850	–	2,850
	8,096	396	8,492	(4)	8,488
Total assets	23,213	532	23,745	(14)	23,731
Current liabilities					
Trade and other payables	3,819	(479)	3,340	–	3,340
Contract liabilities	–	1,157	1,157	–	1,157
Excess of progress billings over work-in-progress	181	(181)	–	–	–
Current tax payable	159	*	159	–	159
Others	1,677	–	1,677	–	1,677
	5,836	497	6,333	–	6,333
Non-current liabilities					
Deferred tax liabilities	428	*	428	*	428
Other long-term payables	295	(39)	256	–	256
Contract liabilities	–	116	116	–	116
Others	8,438	–	8,438	–	8,438
	9,161	77	9,238	–	9,238
Total liabilities	14,997	574	15,571	*	15,571
Net assets	8,216	(42)	8,174	(14)	8,160
Equity attributable to owners of the Company					
Other reserves	(82)	(3)	(85)	*	(85)
Revenue reserve	5,483	(23)[1]	5,460	(13)[2]	5,447
Others	1,569	–	1,569	–	1,569
Non-controlling interests	1,246	(16)	1,230	(1)	1,229
Total equity	8,216	(42)	8,174	(14)	8,160

[1] Amount relates mainly to reversal of cumulative profits of certain contracts that were recognised in prior years in accordance with existing policies in Note 2(t)(ii) where such revenue and related costs of sales would be recognised on delivery to customers upon adoption of SFRS(I) 15.

[2] Amount relates mainly to the expected increase in impairment loss for trade and other receivables (including service concession receivables) as a result of the application of the expected credit loss model in line with the adoption of SFRS(I) 9, instead of the previous 'incurred loss' model under the previous FRS.

46. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and IFRS and Adoption of New Standards *(cont'd)*

Summary of Quantitative Impact *(cont')*

Balance Sheets *(cont'd)*

(S$ million)	January 1, 2017 As reported previously	SFRS(I) 15	As reported presently
Group			
Non-current assets			
Associates and joint ventures	1,746	–	1,746
Trade and other receivables	734	–	734
Others	12,187	61	12,248
	14,667	61	14,728
Current assets			
Inventories	3,466	(3,009)	457
Trade and other receivables	1,958	48	2,006
Contract assets	–	453	453
Contract costs	–	2,612	2,612
Others	2,200	–	2,200
	7,624	104	7,728
Total assets	22,291	165	22,456
Current liabilities			
Trade and other payables	3,398	(234)	3,164
Contract liabilities	–	682	682
Excess of progress billings over work-in-progress	223	(223)	–
Current tax payable	190	–	190
Others	2,205	–	2,205
	6,016	225	6,241
Non-current liabilities			
Deferred tax liabilities	402	–	402
Other long-term payables	258	(29)	229
Contract liabilities	–	271	271
Others	7,452	–	7,452
	8,112	242	8,354
Total liabilities	14,128	467	14,595
Net assets	8,163	(302)	7,861
Equity attributable to owners of the Company			
Other reserves	(52)	(10)	(62)
Revenue reserve	5,385	(176)[3]	5,209
Others	1,369	–	1,369
Non-controlling interests	1,461	(116)	1,345
Total equity	8,163	(302)	7,861

[3] Amount relates mainly to reversal of cumulative profits of certain contracts that were recognised in prior years in accordance with existing policies in Note 2(t)(ii) where such revenue and related costs of sales would be recognised on delivery to customers upon adoption of SFRS(I) 15.

46. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and IFRS and Adoption of New Standards *(cont'd)*

Summary of Quantitative Impact *(cont')*

Consolidated Income Statement

(S$ million)	Year ended December 31, 2017 As reported previously	SFRS(I) 15	As reported presently
Group			
Turnover	8,346	680	9,026
Cost of sales	(7,400)	(391)[4]	(7,791)
Gross profit	946	289	1,235
Other operating income	75	–	75
Finance costs	(526)	(1)	(527)
Others	(183)	11	(172)
Profit before tax	312	299	611
Tax expense	(67)	(51)	(118)
Profit for the year	245	248	493
Attributable to:			
Owners of the Company	231	152	383
Non-controlling interests	14	96	110
Profit for the year	245	248	493

[4] Amount relates mainly to the reversal of adjustments (in relation to contract terminations) recorded in 2017, partially set-off by reversal of revenue and related cost of sales for other contracts recognised in 2017 in accordance with existing policies in Note 2(t)(ii), which would now be recognised on delivery to customers in line with the Group's adoption of SFRS(I) 15.

Consolidated Statement of Comprehensive Income

(S$ million)	Year ended December 31, 2017 As reported previously	SFRS(I) 15	As reported presently
Profit for the year	245	248	493
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations	(151)	12	(139)
Others	47	–	47
Total comprehensive income for the year	141	260	401
Attributable to:			
Owners of the Company	160	160	320
Non-controlling interests	(19)	100	81
Total comprehensive income for the year	141	260	401

46. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and IFRS and Adoption of New Standards *(cont'd)*

Summary of Quantitative Impact *(cont')*

Balance Sheets

(S$ million)	Year ended December 31, 2017 As reported previously	SFRS(I) 15	As reported presently
Company			
Non-current assets	3,347	–	3,347
Current assets	870	–	870
Total assets	4,217	–	4,217
Current liabilities	203	–	203
Non-current liabilities			
Other long-term payables	287	(12)	275
Contract liabilities	–	13	13
Others	69	–	69
	356	1	357
Total liabilities	559	1	560
Net assets	3,658	(1)	3,657
Revenue reserve	2,087	(1)	2,086
Others	1,571	–	1,571
Equity attributable to owners of the Company	3,658	(1)	3,657

46. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and IFRS and Adoption of New Standards *(cont'd)*

Summary of Quantitative Impact *(cont')*

Balance Sheets *(cont'd)*

(S$ million)	January 1, 2017 As reported previously	SFRS(I) 15	As reported presently
Company			
Non-current assets	3,171	–	3,171
Current assets	572	–	572
Total assets	3,743	–	3,743
Current liabilities			
Trade and other payables	138	(1)	137
Contract liabilities	–	1	1
Others	63	–	63
	201	–	201
Non-current liabilities			
Other long-term payables	282	(13)	269
Contract liabilities	–	14	14
Others	71	–	71
	353	1	354
Total liabilities	554	1	555
Net assets	3,189	(1)	3,188
Revenue reserve	1,827	(1)	1,826
Others	1,362	–	1,362
Equity attributable to owners of the Company	3,189	(1)	3,188

46. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and IFRS and Adoption of New Standards *(cont'd)*

Notes to the reconciliation

i. SFRS(I) 1

Upon adoption of SFRS(I) in 2018, the Group applied SFRS(I) 1 with effect on January 1, 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. In the event of changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required, as SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 does not have a significant impact on the financial statements.

ii. SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group adopted SFRS(I) 15 in its financial statements for the year ended December 31, 2018, using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively, except as described below, and the comparative periods presented for 2017 has been restated.

The Group has used the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

The Group has used the practical expedients for variable considerations. This means that for contracts with variable consideration that were completed on or before the initial application date, the transaction price at the date of completion is used, rather than estimating the amount of variable consideration.

The Group has used the practical expedients for contract modifications. This means that for contracts that were modified before the beginning of the earliest period presented, the aggregate effect of all contract modifications when identifying separate performance obligations and determining and allocating the transaction price on transition are reflected.

The Group has used the practical expedients for performance obligation disclosures. This means that for periods presented before the initial application date, the amount of the transaction price allocated to the remaining performance obligations and an explanation of when that revenue was recognised are not disclosed.

46. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and IFRS and Adoption of New Standards *(cont'd)*

Notes to the reconciliation

ii. SFRS(I) 15 *(cont'd)*

The key impact of the adoption of SFRS(I) 15 is described below:

Long-term Contracts

a. Timing of Revenue and Cost Recognition

The Group previously recognised revenue from long-term contracts from its rig & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding businesses under Marine's operating segment, as well as other infrastructure construction, using the percentage of completion method, provided the outcome of the contract could be reliably estimated.

The Group does not have an alternative use for specialised assets which are built to customers' order.

In the event that the Group has an enforceable right to payment for performance completed to date, or where the Group's performance creates or enhances an asset that the customer controls as the asset is being created or enhanced, the Group will continue to recognise revenue from long-term contracts over time. The costs associated to fulfil the performance obligation are expensed as control of goods or services is transferred to the customer over time.

When the right to payment for performance completed to date cannot be enforced due to non-enforceability of right to payment for performance completed to date, the revenue and related costs of sales will be recognised only when the constructed assets are delivered to customers.

b. Contract Costs

Prior to the adoption of SFRS(I) 15, in the case of long-term contracts where the stage of completion was determined with reference to surveys of work done, contract costs were recognised as an expense in profit or loss using the percentage of completion method.

On adoption of SFRS(I) 15, the costs incurred to fulfil the satisfied performance obligation are now recognised in profit or loss as control of the goods or services is transferred to the customer over time. As there is no direct linkage between the costs being expensed and the output measure used to determine revenue, this may result in changes in the contract margin over the term of these long-term contracts.

Where the control of goods and services is transferred to the customer at a future point in time, the costs incurred to fulfil the future performance obligation are capitalised as they are recoverable, and presented as "Contract costs" within the balance sheet. The costs capitalised are recognised in profit or loss when the performance obligations are satisfied.

Consideration Payable to Customer

The Group previously offset certain payments made to customers for purchase of goods against revenue. Upon the adoption of SFRS(I) 15, such payments are treated as consideration payable to customer, and are recognised as an expense instead.

Significant Financing Component

The Group has certain contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. In such cases, contract revenue contains a financing component. For contracts where financing components are determined to be significant, the transaction price is adjusted for the time value of money of the contracts.

46. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and IFRS and Adoption of New Standards *(cont'd)*

Notes to the reconciliation *(cont'd)*

iii. SFRS(I) 9

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from January 1, 2018.

In accordance with the exemption in SFRS(I) 1, the Group has elected not to restate information for 2017. Accordingly, the information for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at January 1, 2018.

Arising from this, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 have been provided for the comparative period.

Transition

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below:

- The following assessments were made on the basis of facts and circumstances that existed at January 1, 2018.
  - The determination of the business model within which a financial asset is held.
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
  - The designation of investment in equity instruments that is not held for trading as at FVOCI.
  - The designation of investments in unit trusts and funds as at FVTPL.
- New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 *Financial Instruments: Recognition and Measurement* at December 31, 2017 that met the criteria for hedge accounting under SFRS(I) 9 at January 1, 2018 were therefore regarded as continuing hedging relationships.

a. Classification and Measurement of Financial Assets and Financial Liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – equity instrument or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model under which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held to maturity, loans and receivables and available-for-sale. Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under SFRS(I) 9, refer to Notes 2(g) and 2(m).

The following table and accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2018.

46. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and IFRS and Adoption of New Standards *(cont'd)*

Notes to the reconciliation *(cont'd)*

iii. SFRS(I) 9 *(cont'd)*

a. Classification and Measurement of Financial Assets and Financial Liabilities *(cont'd)*

The effect of adopting SFRS(I) 9 on the carrying amounts of financial assets at January 1, 2018 relates solely to the new impairment requirements.

(S$ million)	Note	Original classification under FRS 39	New classification under SFRS(I) 9	Original carrying amount under FRS 39	New carrying amount under SFRS(I) 9
Group					
Financial assets					
Cash and cash equivalents	16	Loans and receivables	Amortised costs	2,687	2,687
Trade receivables	8	Loans and receivables	Amortised costs	1,206	1,202
Service concession receivables	8	Loans and receivables	Amortised costs	893	885
Other loans and receivables	8	Loans and receivables	Amortised costs	586	586
Amounts due from related parties	10	Loans and receivables	Amortised costs	109	109
Equity shares	7	Available-for-sale financial assets	FVOCI	122	122
Unit trusts and funds	7	Available-for-sale financial assets	FVTPL	67	67
Cross currency swaps	7	FVTPL	FVTPL	6	6
Foreign exchange swap contracts	7	FVTPL	FVTPL	1	1
Commodity swaps	7	FVTPL	FVTPL	2	2
Hedge of net investment in foreign operations:					
– Cross currency swaps	7	Fair value hedging instrument	Fair value hedging instrument	14	14
Cash flow hedges:					
– Forward foreign exchange contracts	7	Fair value hedging instrument	Fair value hedging instrument	57	57
– Fuel oil swaps	7	Fair value hedging instrument	Fair value hedging instrument	43	43
– Cross currency swaps	7	Fair value hedging instrument	Fair value hedging instrument	4	4
Fair value hedges:					
– Forward foreign exchange contracts	7	Fair value hedging instrument	Fair value hedging instrument	1	1
Total financial assets				5,798	5,786

46. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and IFRS and Adoption of New Standards *(cont'd)*

Notes to the reconciliation *(cont'd)*

iii. SFRS(I) 9 *(cont'd)*

a. Classification and Measurement of Financial Assets and Financial Liabilities *(cont'd)*

(S$ million)	Note	Original classification under FRS 39	New classification under SFRS(I) 9	Original carrying amount under FRS 39	New carrying amount under SFRS(I) 9
Company					
Cash and cash equivalents	16	Loans and receivables	Amortised costs	720	720
Trade receivables	8	Loans and receivables	Amortised costs	40	40
Other loans and receivables	8	Loans and receivables	Amortised costs	88	88
Amounts due from related parties	10	Loans and receivables	Amortised costs	230	230
Total financial assets				1,078	1,078

a. The Group elected to present in OCI the changes in fair value of the AFS equity securities that are held by the Group because these investments are not held for trading.

b. Trade receivables and service concession receivables that were classified as loans and receivables under FRS 39 are now classified at amortised cost. An increase of S$12 million in the allowance for impairment over these receivables was recognised in opening retained earnings at January 1, 2018 on transition to SFRS(I) 9.

b. Impairment

SFRS(I) 9 replaces the previous 'incurred loss' model with a forward-looking expected credit loss (ECL) model. The new impairment model will apply to financial assets measured at amortised cost or FVOCI (except for investments in equity instruments).

The Group applied the simplified approach and record lifetime ECL on its trade and other receivables (excluding service concession receivables) and contract assets arising from the application of SFRS(I) 15.

The Group applied the general approach for service concession receivables where the loss allowances are equal to the 12-month ECL.

For assets in the scope of the SFRS(I) 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of SFRS(I) 9's impairment requirements at January 1, 2018 results in an additional allowance for impairment as follows.

(S$ million)	Group	Company
Loss allowance at December 31, 2017 under FRS 39	**206**	2
Additional impairment recognised as at January 1, 2018 on:		
Trade and other receivables as at December 31, 2017	**12**	–
Loss allowance as at January 1, 2018 under SFRS(I) 9	**218**	2

Additional information about how the Group and Company measure allowance for impairment is described in Note 39.

46. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and IFRS and Adoption of New Standards *(cont'd)*

Notes to the reconciliation *(cont'd)*

iii. SFRS(I) 9 *(cont'd)*

c. Hedging

The Group has elected to adopt the new general hedge accounting model in SFRS(I) 9. This requires the Group to ensure that the hedging relationship are aligned with its risk management objectives and strategy, and to apply a more qualitative and forward-looking approach to assess hedge effectiveness.

Applicable to financial statements for the year 2019 and thereafter

The following new SFRS(I)s, amendments to and interpretations of SFRS(I)s are effective for annual periods beginning after January 1, 2018:

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28).

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group's preliminary assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

46. Full Convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and IFRS and Adoption of New Standards *(cont'd)*

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 Leases, SFRS(I) INT 4 Determining whether an Arrangement contains a Lease, SFRS(I) INT 1-15 Operating Leases – Incentives and SFRS(I) INT 1-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

i. The Group as lessee

The Group and Company plan to apply SFRS(I) 16 retrospectively with the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of revenue reserve at the date of initial application. The Group and Company choose to measure the ROU asset at its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the Group's and Company's incremental borrowing rate at the date of initial application. For lease contracts that contain the option to renew, the Group and Company are expected to use hindsight in determining the lease term.

The Group and Company expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Lease payments that are increased every five years to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application.

As at January 1, 2019, the Group expects an increase in ROU assets of S$504 million, a decrease in property, plant and equipment of S$102 million, an increase in lease liabilities of S$542 million, a decrease in provisions of S$96 million, and a decrease in revenue reserves of S$44 million.

The Company expects an increase in ROU assets of S$69 million, an increase in lease liabilities of S$79 million and a decrease in revenue reserves of S$10 million.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for the Group's and Company's finance leases.

ii. The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group and Company continue to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

The Group and Company will reassess the classification of sub-leases in which the Group and Company are lessors. No significant impact is expected for other leases in which the Group and Company are lessors.

iii. Transition

The Group and Company plan to apply SFRS(I) 16 initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information. The Group and Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

Supplementary Information
Year ended December 31, 2018

(Under SGX-ST Listing Manual requirements)
A. Directors' and Key Executives' Remuneration Earned for the Year
Summary compensation table for the year ended December 31, 2018

	Salary[1]	Bonus earned	Fair value of share-based compensation granted for the year[3]	Directors' fees		Brought forward bonus bank[2]
				Cash-based[4]	Share-based[5]	
Name of Director	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Payable by Company						
Ang Kong Hua	–	–	–	525	225	–
Neil McGregor	1,344	812	826	–	–	12
Margaret Lui[4]	–	–	–	128	55	–
Tan Sri Mohd Hassan Marican	–	–	–	118	51	–
Tham Kui Seng	–	–	–	118	50	–
Dr Teh Kok Peng	–	–	–	125	54	–
Ajaib Haridass	–	–	–	127	55	–
Nicky Tan[4]	–	–	–	127	54	–
Yap Chee Keong	–	–	–	131	56	–
Jonathan Asherson OBE	–	–	–	107	46	–
Dr Josephine Kwa Lay Keng *(appointed on August 1, 2018)*	–	–	–	39	17	–
Payable by Subsidiaries						
Neil McGregor[4]	–	–	–	185	44	–
Tan Sri Mohd Hassan Marican	–	–	–	378	162	–
Ajaib Haridass	–	–	–	82	–	–
Tham Kui Seng	–	–	–	63	–	–
Name of Key Executive						
Graham Cockroft[4,6]	195	182	226	12	–	–
Wong Weng Sun	811	508	1,348	–	–	2,306
Koh Chiap Khiong[4]	568	375	291	164	52	1,208
Kelvin Teo[5]	414	290	124	10	–	267
Vipul Tuli	690	435	124	–	–	230

(Under SGX-ST Listing Manual requirements) *(cont'd)*
A. Directors' and Key Executives' Remuneration Earned for the Year *(cont'd)*

Notes:

1. The amounts shown are inclusive of basic salary, fixed allowances, AWS and other emoluments.
2. The Brought Forward Bonus Bank is the outstanding balance of bonus as at December 31, 2018 (incorporating any adjustment made to the bank balance but excluding the bonus earned during the financial year). Typically, one-third of the accumulated bonus, comprising Bonus Earned in the financial year and the Brought Forward Bonus, is paid out in cash each year, with the balance carried forward to the following year. Future balances of the bonus bank will be adjusted according to the yearly EVA performance of the Group and its subsidiaries, and payouts will be made accordingly from the Bonus Bank.
3. The fair value of the share plans granted for the year is disclosed. The shares granted to key executives are contingent upon meeting performance measures. If these performance measures are not met, the key executives will not be vested with any shares.
4. Directors' fees in cash for Margaret Lui are payable to Azalea Investment Management Pte Ltd. Directors' fees in cash for Nicky Tan are payable to Tan Kok Wah and Tee Min Foundation Ltd. Directors' fees in cash from subsidiaries for Neil McGregor, Graham Cockroft and Koh Chiap Khiong are payable to SCI. Directors' fees in cash from subsidiaries for Kelvin Teo are payable to Sembcorp Parks Management Pte Ltd and Batamindo Shipping & Warehousing Pte Ltd.
5. To align the interests of non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the Sembcorp Industries Restricted Share Plan 2010.

   From 2011, the awards granted under the Sembcorp Industries Restricted Share Plan 2010 to all directors as part of their directors' fees (except for Neil McGregor, who is the Group President & CEO and who did not receive any directors' fees) will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth the value of their annual base retainer fee (currently S$75,000); any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

   The actual number of shares awarded to each non-executive director will be determined with reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the AGM (or, if the resolution to approve the final dividend is not approved, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash. A non-executive director who steps down before the payment of the share component will receive all of his director's fees for the year (calculated on a pro-rated basis, where applicable) in cash.

   Details of the performance shares and restricted shares granted to the directors are set out in the section on Share-based Incentive Plans in the Directors' Report.
6. The amount excludes sign-on bonus of S$150,000.

(Under SGX-ST Listing Manual requirements) *(cont'd)*

B. Interested Person Transactions

Interested person transactions carried out during the financial year which fall under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST) are as follows:

	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than S$100,000)
(S$ million)	**2018**
Sale of Goods and Services	
Temasek Holdings (Private) Limited and its Associates	
– Temasek Holdings (Private) Limited	0.3
– Accuron Technologies Limited and its Associates	1.3
– Mapletree Investments Pte Ltd and its Associates	0.4
– PSA International Pte Ltd and its Associates	5.5
– Singapore Power Limited and its Associates	4.2
– Singapore Technologies Telemedia Pte Ltd and its Associates	47.6
– SingEx Holdings Pte Ltd and its Associates	4.2
– SMRT Corporation Ltd and its Associates	2.4
– Temasek Capital (Private) Limited and its Associates	4.3
– Wildlife Reserves Singapore Pte Ltd and its Associates	3.7
	73.9
Olam International Ltd and its Associates	1.8
Starhub Ltd and its Associates	11.5
SATS Ltd and its Associates	0.2
Singapore Technologies Engineering Ltd and its Associates	21.9
	109.3
Purchase of Goods and Services	
Temasek Holdings (Private) Limited and its Associates	
– Lan Ting Holdings Pte Ltd and its Associates	0.4
– Singapore Power Limited and its Associates	5.6
– Temasek Capital (Private) Limited and its Associates[1]	563.1
	569.1
Singapore Technologies Engineering Ltd and its Associates	5.3
Starhub Ltd and its Associates	0.3
	574.7
Provision of Management and Support Services	
Temasek Holdings (Private) Limited and its Associates	
– Temasek Capital (Private) Limited and its Associates	2.9
	686.9

There are no interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920).

Note:

[1] This relates mainly to the purchase of gas by Sembcorp Cogen Pte Ltd from Sembcorp Gas Pte Ltd for the generation of electricity. Sembcorp Gas Pte Ltd is 30% owned by Seletar Investments Pte Ltd, a wholly-owned subsidiary of Temasek Holdings (Private) Limited.

EVA Statement

(S$ million)	Note	2018	2017
Net operating profit before tax expenses	1	**246**	148
Adjusted for:			
Share of associates' and joint ventures' profits		**225**	219
Interest expense	2	**502**	524
Others	3, 4	**(18)**	41
Adjusted profit before interest and tax		**955**	932
Cash operating taxes	5	**(227)**	(192)
Net operating profit after tax (NOPAT)		**728**	740
Average capital employed	6	**19,291**	19,176
Weighted average cost of capital	7	**6.2%**	6.5%
Capital charge		**1,196**	1,246
Add: Capital Charge Deferral (net)	8	**67**	150
Economic Value Added (EVA)		**(401)**	(356)
Non-controlling share of EVA		**153**	123
EVA attributable to shareholders		**(248)**	(233)
Less: Unusual items (UI) gains	9	**(9)**	(51)
EVA attributable to shareholders (exclude UI)		**(257)**	(284)

Notes:

1. 2017 EVA was not adjusted for the adoption of SFRS(I) 15.
2. Interest expense includes imputed interest on the present value of operating leases and capitalised interest charged to profit or loss upon disposal of the assets.
3. Other adjustments include recovery of investment costs, timing difference of allowances made for / (write-back) of doubtful debts, warranty, inventory obsolescence and goodwill written off / impaired and construction-in-progress.
4. This includes adjustments that exclude the profits of certain contracts which, with the adoption of SFRS(I) 15 had been reversed (Note 46), and subsequently recognised when the projects were delivered to the customers in 2018.
5. The reported current tax is adjusted for the statutory tax impact of interest expense.
6. Average capital employed is computed by taking monthly average total assets less non-interest-bearing liabilities plus timing provision, goodwill written off / impaired and present value of operating leases.

(S$ million)	2018	2017
Major Capital Components:		
Property, plant and equipment	**11,711**	11,711
Investments	**2,207**	2,226
Other long-term assets	**3,173**	1,406
Net working capital and long-term liabilities	**2,200**	3,833
Average capital employed	**19,291**	19,176

6. The Weighted Average Cost of Capital is calculated in accordance with the Sembcorp Group EVA Policy as follows:
   i. Cost of Equity using Capital Asset Pricing Model with market risk premium at 5.0% (2017: 5.0%);
   ii. Risk-free rate 2.26% (2017: 2.22%) based on yield-to-maturity of Singapore Government 10-year Bonds;
   iii. Ungeared beta ranging from 0.5 to 1.0 (2017: 0.5 to 1.0) based on Sembcorp Industries' risk categorisation; and
   iv. Cost of Debt rate at 3.12% (2017: 4.25%).
7. Capital charge deferral (net) refers to deferral of capital charge on investments made for projects where returns are not immediate at the time of investment (e.g. Greenfield projects) less cost of deferral at weighted average cost of capital.
8. Unusual items (UI) refer to gain / loss on divestment of subsidiaries, associates, joint ventures, long-term investments and disposal of major property, plant and equipment.

Shareholders' Information

As at March 4, 2019

Statistics of Shareholders

Issued and fully paid-up capital:	S$565,571,683.28
Number of issued shares:	1,787,547,732
Number / percentage of treasury shares:	3,100,138 (0.17%)
Number of shareholders:	38,129
Class of shares:	Ordinary shares with equal voting rights[1]

Shareholdings Held by the Public

Based on information available to the company as of March 4, 2019, 50.41%[2] of the issued ordinary shares of the company is held by the public and therefore, the company has complied with Rule 723 of the SGX-ST Listing Manual.

Substantial Shareholder

Substantial Shareholder	Direct Interest	Indirect Interest	Total	%[2]
Temasek Holdings (Private) Limited	871,200,328	12,718,760[3]	883,919,088	49.53

Top 20 Shareholders

No.	Name	No. of Ordinary Shares Held	%[2]
1	Temasek Holdings (Private) Limited	871,200,328	48.82
2	DBS Nominees Pte Ltd	191,245,928	10.72
3	Citibank Nominees Singapore Pte Ltd	184,624,981	10.35
4	DBSN Services Pte Ltd	87,288,506	4.89
5	HSBC (Singapore) Nominees Pte Ltd	46,289,070	2.59
6	Raffles Nominees (Pte) Ltd	31,058,062	1.74
7	United Overseas Bank Nominees Private Limited	21,588,426	1.21
8	OCBC Nominees Singapore Private Limited	9,915,697	0.56
9	Startree Investments Pte Ltd	9,400,000	0.53
10	OCBC Securities Private Ltd	6,154,059	0.34
11	BPSS Nominees Singapore (Pte.) Ltd.	4,845,223	0.27
12	Tang Kin Fei	4,736,612	0.27
13	CGS-CIMB Securities (Singapore) Pte Ltd	4,080,521	0.23
14	DB Nominees (Singapore) Pte Ltd	3,911,011	0.22
15	Phillip Securities Pte Ltd	3,748,908	0.21
16	UOB Kay Hian Private Limited	3,478,810	0.19
17	DBS Vickers Securities (Singapore) Pte Ltd	3,313,695	0.19
18	Maybank Kim Eng Securities Pte Ltd	2,275,823	0.13
19	Heng Siew Eng	1,844,000	0.10
20	Low Sin Leng	1,604,437	0.09
		1,492,604,097	83.65

1 Ordinary shares purchased and held as treasury shares by the company will have no voting rights

2 The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the company as of March 4, 2019 excluding 3,100,138 ordinary shares held as treasury shares as at that date

3 Temasek is deemed to be interested in the 12,718,760 shares in which its subsidiaries and / or associated companies have or are deemed to have an interest pursuant to Section 7 of the Companies Act

Analysis of Shareholdings

Range of Shareholdings	No. of Ordinary Shareholders	%	No. of Ordinary Shares Held (Excluding Treasury Shares)	%
1 – 99	589	1.55	22,192	0.00
100 – 1,000	6,555	17.19	5,377,158	0.30
1,001 – 10,000	25,690	67.38	102,772,019	5.76
10,001 – 1,000,000	5,271	13.82	178,847,772	10.02
1,000,001 and above	24	0.06	1,497,428,453	83.92
	38,129	100.00	1,784,447,594	100.00

Governance Disclosure Guide

Guideline	Questions	How has Sembcorp complied?
General	a. Has the company complied with all the principles and guidelines of the Singapore Code of Corporate Governance 2012 (the Code)? If not, please state the specific deviations and the alternative corporate governance practices adopted by the company in lieu of the recommendations in the Code. b. In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	Sembcorp has complied in all material aspects with the principles and guidelines set out in the Code.

Board Responsibility

Guideline	Questions	How has Sembcorp complied?
Guideline 1.5	What are the types of material transactions which require approval from the board?	Significant investments and transactions exceeding threshold limits are approved by the board. Transactions below the threshold limit are approved by the board's Executive Committee and management to facilitate operational efficiency, in accordance with applicable financial authority limits.

Members of the Board

Guideline	Questions	How has Sembcorp complied?
Guideline 2.6	a. What is the board's policy with regard to diversity in identifying director nominees?	The board seeks to ensure that it has the required diversity, including gender diversity, as well as competencies needed to support the company's growth. Best efforts are taken to ensure that in addition to contributing their valuable expertise and insights to board deliberations, directors also bring to the board independent and objective perspectives to allow balanced and well-considered decisions to be made.
	b. Please state whether the current composition of the board provides diversity on each of the following – skills, experience, gender and knowledge of the company, and elaborate with numerical data where appropriate.	In 2018, the Nominating Committee (NC) reviewed the composition of our board to ensure that it had the diversity and necessary competencies to support the company's growth. Our current board includes business leaders and professionals with strong experience in areas relevant to the Group's businesses. This includes experience in the engineering, petrochemical, oil, power and gas, and real estate industries, as well as the accounting, finance, legal and technology R&D sectors.
	c. What steps has the board taken to achieve the balance and diversity necessary to maximise its effectiveness?	With reference to the Group's strategies and business plans, the NC has reviewed the skills mix of board members to ensure that the board has the required diversity, including gender diversity, as well as the necessary competencies to support the company's growth. When the need for a new director arises, the NC will consult with management and identify a list of potential candidates. These candidates would be sourced through an extensive network of contacts and external databases where appropriate, based on the skill sets, experience, knowledge and attributes required to lead the growth of the company. Thereafter, the NC will interview the candidates and make its recommendation to the board for approval. All appointments to the board are made on merit and measured against objective criteria. Candidates must be able to discharge their responsibilities as directors while upholding the highest standards of governance practised by the Group.
Guideline 4.6	Please describe the board nomination process for the company in the last financial year for: a. Selecting and appointing new directors and	When the need for a new director arises, the NC consults with management and identifies a list of potential candidates. These candidates are sourced through an extensive network of contacts and external databases where appropriate, based on the skill sets, experience, knowledge and attributes required to lead the growth of the company. Thereafter, the NC will interview the candidates and make its recommendation to the board for approval.
	b. Re-electing incumbent directors	When reviewing the re-appointment and re-election of directors, the NC considers the directors' contributions, other board appointments and principal commitments to ensure they have sufficient time to discharge their responsibilities adequately. The board has adopted an internal guideline that seeks to address the competing time commitments that may be faced when a director holds multiple board directorship appointments. The board also recognises the contributions of directors who have, over time, developed deep insight into the Group's businesses. It exercises its discretion to retain the services of such directors where appropriate, to avoid an abrupt loss of experienced directors with a valuable understanding of the Group.

Guideline	Questions	How has Sembcorp complied?

Members of the Board *(cont'd)*

Guideline	Questions	How has Sembcorp complied?
Guideline 1.6	a. Are new directors given formal training? If not, please explain why.	Yes, the company conducts comprehensive orientation programmes for new directors.
	b. What are the types of information and training provided to: i. new directors and ii. existing directors to keep them up to date?	i. All new directors receive formal letters of appointment explaining the Group's governance policies and practices, as well as their duties and obligations as directors. New directors also receive an information pack that contains the Group's organisation structure, the contact details of members of senior management, the company's constitution, respective committees' terms of reference, the Group's policy relating to disclosure of interests in securities and prevention of insider trading, Code of Conduct, as well as guidelines on directors' fees. The company conducts comprehensive orientation programmes for new directors. These include briefings on board policies and processes, presentations by senior management about Sembcorp, our overall strategic plans and direction, financial performance and business activities in various markets, as well as facility visits. ii. The company provides our directors complete, adequate and timely information on an ongoing basis to enable them to make informed decisions, discharge their duties and keep abreast of the Group's operational and financial performance, key issues, challenges and opportunities. This includes management and operation reports, financial statements and quarterly highlights of the Group's performance and key developments. The board also has ready access to the Group President & CEO, senior management, the company secretary and internal and external auditors at all times, should it need additional information. Details may be found on page 117 of the Corporate Governance Statement in this annual report. As part of training and professional development for the board, the company also ensures that directors are briefed from time to time on changes to regulations, guidelines and accounting standards, as well as other relevant trends or topics. These are done either during board meetings or at specially convened sessions, including training sessions and seminars conducted by external professionals which are funded by the company. Details may be found on page 111 of the Corporate Governance Statement in this annual report.

Guideline	Questions	How has Sembcorp complied?

Members of the Board *(cont'd)*

Guideline	Questions	How has Sembcorp complied?
Guideline 4.4	a. What is the maximum number of listed company board representations that the company has prescribed for its directors? What are the reasons for this number?	The board has determined that the maximum number of listed company board representations held by any Sembcorp director should not exceed five. This is based on the total time commitment required of our directors for involvement in our board and board committees. It aims to ensure that all directors have sufficient time and attention to devote to the affairs of the company and discharge their duties adequately.
	b. If a maximum number has not been determined, what are the reasons?	Not applicable.
	c. What are the specific considerations in deciding on the capacity of directors?	In deciding such matters, the board considers the total time commitment required of the directors for involvement in our board and board committees, as well as for their other appointments outside our company.

Board Evaluation

Guideline	Questions	How has Sembcorp complied?
Guideline 5.1	a. What was the process upon which the board reached the conclusion on its performance for the financial year?	Each director is required to complete a questionnaire on the effectiveness of the board and board committees, as well as individual directors' contributions and performance. The evaluation and feedback are then consolidated and presented to the board for discussion.
	b. Has the board met its performance objectives?	Yes. The board believes that it has met its performance objectives. This is reflected in the overall long-term performance of the Group.

Guideline	Questions	How has Sembcorp complied?

Independence of Directors

Guideline	Questions	How has Sembcorp complied?
Guideline 2.1	Does the company comply with the guideline on the proportion of independent directors on the board? If not, please state the reasons for the deviation and the remedial action taken by the company.	Yes. The current board comprises 11 directors, nine of whom are independent directors.
Guideline 2.3	a. Is there any director who is deemed to be independent by the board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such a relationship.	Yes. Tan Sri Mohd Hassan Marican and Ajaib Haridass both sit on the board of Sembcorp Marine, a listed subsidiary of Sembcorp Industries from which the company has received payment in excess of S$200,000 in aggregate for consultancy services and provision of utilities services. Mr Haridass retired from the board of Sembcorp Marine on April 18, 2018. Tham Kui Seng sits on the board of Sembcorp Design and Construction, a wholly-owned subsidiary of the company from which the company has received payment in excess of S$200,000 for consultancy services. Dr Josephine Kwa Lay Keng is a director of the Agency for Science, Technology and Research (A*STAR), an organisation with which Sembcorp is jointly researching an R&D project under the Sembcorp-EMA Energy Technology Partnership for which the company has made payment in excess of S$200,000 for project cost. In addition, Tan Sri Mohd Hassan and Mr Tham hold the positions of Senior International Advisor and Corporate Advisor respectively at Temasek International Advisors, a subsidiary of Temasek. Mr Tham stepped down as Corporate Advisor in the first quarter of 2018.
	b. What are the board's reasons for considering him independent? Please provide a detailed explanation.	The board has assessed these matters and is of the view that the payments received from these subsidiaries are not significant in the context of the Group's earnings. The board believes that Tan Sri Mohd Hassan, Mr Haridass and Mr Tham's directorships in these subsidiaries have not and will not interfere, or be reasonably perceived to interfere, with their ability to exercise independent judgement and act in the best interests of Sembcorp. Dr Kwa's directorship on A*STAR will not interfere with her ability to exercise independent judgement and act in the best interest of Sembcorp. The board is of the view that the amount paid to A*STAR is insignificant in the context of the Group's earnings. Tan Sri Mohd Hassan and Mr Tham's roles as advisors at Temasek International Advisors are non-executive in nature and they are not involved in its day-to-day conduct of business. They are also not accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Temasek. The board believes that they have acted and will continue to act in the best interests of Sembcorp. Hence, the board has determined that Tan Sri Mohd Hassan, Mr Haridass, Dr Kwa and Mr Tham are independent notwithstanding their relationships with Temasek, A*STAR and the Group's subsidiaries.

Independence of Directors *(cont'd)*

Guideline	Questions	How has Sembcorp complied?
Guideline 2.4	Has any independent director served on the board for more than nine years from the date of his first appointment? If so, please identify the director and set out the board's reasons for considering him independent.	In the financial year 2018, the company did not have any director who has served beyond nine years from the date of his / her first appointment to the board. The board has set a term limit of nine years for independent directors of the Group. Should the board decide to retain any director beyond this nine-year term, it will rigorously review the independence of that director and determine if he / she should continue to be regarded as an independent director. In 2019, Ang Kong Hua and Tan Sri Mohd Hassan would have served on the board for more than nine years. The board has observed that over the tenure from 2010 until present, both Mr Ang and Tan Sri Mohd Hassan have shown strong independence of character and judgement in the discharge of their duties as directors. The directors have accumulated much knowledge of the business of Sembcorp and contributed actively to the board which is very valuable, particularly to the new management team and especially during this transformation period that the Group is undergoing. The board is of the opinion that the length of service will not change the independence of both directors. In fact, their length of service will assist the board to better understand the Group and our business over the long-term and therefore, better serve the interests of the company and our shareholders by having long-term familiarity with and understanding of the company and our operations and growth strategies. Therefore, after a rigorous and thorough review, the Nominating Committee recommended to the board that Mr Ang and Tan Sri Mohd Hassan shall remain independent despite serving more than nine years on the board, and the board concurred.

Guideline	Questions	How has Sembcorp complied?

Disclosure on Remuneration

Guideline	Questions	How has Sembcorp complied?
Guideline 9.2	Has the company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base / fixed salary, variable or performance-related income / bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Yes. Information on each director's and the Group President & CEO's remuneration may be found under the related item in the Supplementary Information section of the Financial Statements in this annual report.
Guideline 9.3	a. Has the company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base / fixed salary, variable or performance-related income / bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Information on key management personnel's remuneration can be found under the related item in the Supplementary Information section of the Financial Statements in this annual report.
	b. Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	The aggregate remuneration paid in financial year 2018 to the top five key management personnel, excluding our Group President & CEO, amounted to approximately S$6 million comprising salaries and bonuses.
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	No. In 2018, the company had no employees who were immediate family members of a director or the Group President & CEO.

Disclosure on Remuneration *(cont'd)*

Guideline	Questions	How has Sembcorp complied?
Guideline 9.6	a. Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.	With the exception of our Group President & CEO who does not receive director's fees, all our board members are non-executive directors. Remuneration for our key management personnel and executive director comprises three primary components: fixed remuneration, as well as annual variable bonuses and share-based incentives that are conditional upon meeting certain performance targets. Annual variable bonuses are linked to the achievement of pre-agreed financial and non-financial performance targets, as well as the creation of economic value added. Share-based incentives are long-term incentive schemes which use methods fairly common among major local and multinational companies to incentivise and motivate employees to achieve pre-determined targets that create and enhance economic value for shareholders.
	b. What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?	Information on the remuneration received by key management and executive director and details on share-based incentives and performance targets are available in the Directors' Statement and Note 35 in the Notes to the Financial Statements in this annual report.
	c. Were all of these performance conditions met? If not, what were the reasons?	All the performance conditions under the Restricted Share Plan were met. As for the Performance Share Plan, not all the performance conditions were met against a background of adverse market conditions. Arising from the under-achievement of performance targets, 987,000 performance shares lapsed in 2018 and were not paid out.

Guideline	Questions	How has Sembcorp complied?

Risk Management and Internal Controls

Guideline	Questions	How has Sembcorp complied?
Guideline 6.1	What types of information does the company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the company? How frequently is the information provided?	On an ongoing basis, directors are provided with complete, adequate and timely information to enable them to make informed decisions, discharge their duties and keep abreast of the Group's operational and financial performance, key issues, challenges and opportunities. Management and operation reports as well as financial statements are presented to the board on a regular basis. On a quarterly basis, financial highlights of the Group's performance and key developments are presented at board meetings. On a regular basis, risk-related reports are submitted to the Risk Committee (RC). The RC, comprising selected board members, assists the board in overseeing risk management for the Group. These reports include updates on the Group's risk portfolio and key risk indicators, reports on major risk exposure and any other risk-related issues, as well as actions taken to monitor and manage exposure to such risks or issues. For more details on briefings, updates and information provided to our directors, please refer to pages 111 and 117 of the Corporate Governance Statement in this annual report.
Guideline 13.1	Does the company have an internal audit function? If not, please explain why.	Yes. The Group Integrated Audit (GIA) team reports directly to the Audit Committee on audit matters and to the Group President & CEO on administrative matters.
Guideline 11.3	a. In relation to the major risks faced by the company, including financial, operational, compliance, information technology and sustainability, please state the bases for the board's view on the adequacy and effectiveness of the company's internal controls and risk management systems.	The Group has implemented robust mechanisms and systems to identify and manage the inherent risks in our business and strategy, and to monitor the Group's exposure to key risks that could impact the overall strategy and sustainability of the business. This is further supported by a system of internal controls, comprising a Code of Conduct, group-wide governance and internal control policies, procedures, guidelines dictating the segregation of duties, approval authorities and limits, as well as checks and balances embedded in business processes. The Group is also in the midst of transitioning our current Governance Assurance Framework (GAF) to an Integrated Assurance Framework (IAF) to put greater emphasis on the three lines of defence (LOD) model. Through the IAF structure, the respective LODs work together to ensure that key financial, operational, compliance and information technology (IT) risks are reviewed and tested using a robust assurance process. Under the IAF, a pragmatic and collaborative approach to risk and controls assessment has been established, with common and consistent criteria to assess the adequacy and effectiveness of risk management and internal controls. *(cont'd overleaf)*

Guideline	Questions	How has Sembcorp complied?

Risk Management and Internal Controls *(cont'd)*

Guideline	Questions	How has Sembcorp complied?
Guideline 11.3 *(cont'd)*	a. In relation to the major risks faced by the company, including financial, operational, compliance, information technology and sustainability, please state the bases for the board's view on the adequacy and effectiveness of the company's internal controls and risk management systems.	*(cont'd)* Key markets (first LOD) are in the process of adopting and implementing the IAF, which requires them to work with the second LOD comprising business lines, subject matter experts and corporate functions, to perform a thorough review and assessment of their risks and internal controls and updating of the new risk and control registers. At the same time, clear escalation procedures, consequence management framework and key risk indicators that are aligned with the group's risk appetite are being developed as part of the IAF methodology. Collectively, this enables the Group to perform proactive management of key risks and controls. This enhances the Group reporting and monitoring capabilities and also cultivates a risk culture of accountability and ownership. As the third LOD, GIA provides independent assurance across financial, operational, compliance and IT risks through a series of walkthroughs and substantive testing. Management works closely with GIA in closing out all material issues and gaps in a timely manner to ensure that there is continual improvement to our risk and controls environment as well as an effective feedback loop to the first and second LODs. External audit considers internal controls relevant to the preparation of financial statements to ensure they give a true and fair view. The ERM framework and IAF are also complemented by a Management Control Assessment, which is a rigorous management attestation process submitted quarterly by each market and business unit to provide the assurance that its risk management and internal control system is adequate and effective. The submissions and responses are further validated through substantive review by our business lines, subject matter experts and corporate functions as an added layer of assurance. The IAF is expected to be implemented for all key markets by the end of 2019. The Audit Committee, supported by the Risk Committee, oversees the IAF and its implementation. During the year, the Group's risk profile was reviewed and updated and the effectiveness of our internal controls was assessed and enhanced through a combination of management control assessment and internal audits, as well as actions taken in follow up to these exercises. Based on the risk management and internal controls established and maintained by the Group, work performed by external and internal auditors, and reviews performed by senior management, the board, with the concurrence of the Audit Committee, is of the opinion that the company's risk management systems and internal controls were adequate and effective as at December 31, 2018 to address the financial, operational, compliance and IT risks of the Group.

Guideline	Questions	How has Sembcorp complied?

Risk Management and Internal Controls *(cont'd)*

Guideline	Questions	How has Sembcorp complied?
Guideline 11.3 *(cont'd)*	b. In respect of the past 12 months, has the board received assurance from the CEO and the CFO as well as the internal auditor that: i. the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and ii. the company's risk management and internal control systems are effective If not, how does the board assure itself of points i. and ii. above?	Yes. For the financial year 2018, the board has been assured by the Group President & CEO and Group CFO that financial records have been properly maintained, that the financial statements give a true and fair view of the company's operations and finances, and that the risk management and internal control systems of the Group are adequate and effective.
Guideline 12.6	a. Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.	As disclosed in Note 31 in the Notes to the Financial Statements, the fees paid / payable to external auditors for audit and non-audit services for the financial year are:

	S$ million
Audit fees paid / payable	
– To auditors of the company	2
– To other member firms of KPMG International	2
	4
Non-audit fees paid / payable	
– To auditors of the company	1
– To other member firms of KPMG International	1
	2

Guideline	Questions	How has Sembcorp complied?
	b. If the external auditors have supplied a substantial volume of non-audit services to the company, please state the bases for the Audit Committee's view on the independence of the external auditors.	Non-audit fees included a S$1.1 million fee paid in relation to a significant acquisition made in our Utilities business in 2018. The firm was selected based on expertise and merits in finance-related areas, experience and knowledge of the UK electricity market and regulation, and level of fee. Excluding the fee on the above appointment, non-audit fees amounted to 28% of the total annual audit fees and are not deemed substantial. The external auditors have also confirmed their independence.

Communication with Shareholders

Guideline	Questions	How has Sembcorp complied?
Guideline 15.4	a. Does the company regularly communicate with shareholders and attend to their questions? How often does the company meet with institutional and retail investors?	Yes. Sembcorp regularly communicates with shareholders and addresses any queries raised. Investor relations and communications officers are also available by email or telephone to answer questions from shareholders, analysts and the media, as long as the information requested does not conflict with the SGX-ST's rules of fair disclosure. Details of shareholder meetings, including the frequency and examples of types of meetings, are available in the Investor Relations chapter and Corporate Governance Statement in this annual report.
	b. Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	Yes. Sembcorp has a dedicated investor relations team that communicates with investors.
	c. How does the company keep shareholders informed of corporate developments, apart from SGXNet announcements and the Annual Report?	Sembcorp uses multiple communication channels and platforms to keep our shareholders and the investing public informed and updated in accordance with the SGX-ST's rules of fair disclosure. Aside from the annual report and SGXNet announcements, channels utilised include results briefings, annual general meetings, investor roadshows, conferences, investor and media meetings, media interviews, site visits, news releases and circulars, the corporate website, group briefings and other appropriate channels.
Guideline 15.5	If the company is not paying any dividends for the financial year, please explain why.	Not applicable. For the financial year 2018, a final tax exempt one-tier dividend of 2 cents per ordinary share has been proposed subject to shareholders' approval. Together with the interim dividend of 2 cents per ordinary share that has already been paid out, this will bring our total dividend for the financial year to 4 cents per ordinary share.

Additional Information on Directors Seeking Re-election

Name of Director	Tan Sri Mohd Hassan Marican	Tham Kui Seng	Ajaib Haridass	Nicky Tan Ng Kuang	Dr Josephine Kwa Lay Keng
Date of appointment	June 16, 2010	June 1, 2011	May 1, 2014	November 1, 2015	August 1, 2018
Date of last re-appointment	April 19, 2016	April 19, 2017	April 19, 2017	April 19, 2016	N.A.
Age	66	61	69	60	60
Country of principal residence	Malaysia	Singapore	Singapore	Singapore	Singapore
The board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	N.A.	N.A.	N.A.	N.A.	N.A.
Whether appointment is executive, and if so, the area of responsibility	No	No	No	No	No
Job title (e.g. Lead Independent Director, Audit Committee Chairman, Audit Committee Member etc.)	Non-executive & Independent Director Member • Executive Resource & Compensation Committee • Nominating Committee	Non-executive & Independent Director Member • Executive Committee • Executive Resource & Compensation Committee	Non-executive & Independent Director Chairman • Risk Committee Member • Audit Committee	Non-executive & Independent Director Member • Executive Committee • Executive Resource & Compensation Committee • Nominating Committee	Non-executive & Independent Director Member • Technology Advisory Panel
Professional qualifications	Honorary doctorate from the University of Malaya and a fellow of the Institute of Chartered Accountants in England and Wales.	First Class Honours degree in Engineering Science from the University of Oxford, UK.	Bachelor of Laws (Honours) degree from the University of London and a qualified barrister-at-Law at the Honourable Society of the Middle Temple, UK.	A qualified chartered accountant in the UK. A member of the Institute of Chartered Accountants in England and Wales and the Institute of Singapore Chartered Accountants, and a fellow of the Singapore Institute of Directors.	PhD and BSc (Honours) degree in Mechanical Engineering from the University of Leeds, UK.
Working experience and occupation(s) during the past 10 years	PETRONAS • Acting Chairman • President & CEO	CapitaLand • Chief Corporate Officer	Haridass Ho & Partners • Consultant • Advocate & Solicitor	nTan Corporate Advisory • CEO	Raffles Marina Holdings • Chairman NSL • Chief Operating Officer • CEO
Shareholding interest in the listed issuer and its subsidiaries	Sembcorp Industries: 94,300* Sembcorp Marine: 371,500* * 94,300 Sembcorp Industries shares and 371,500 Sembcorp Marine shares are held in the name of Citibank Nominees Singapore	Sembcorp Industries: 76,700	Sembcorp Industries: 60,500* Sembcorp Marine: 888,610 * Of the 60,500 Sembcorp Industries shares, 5,000 shares are held in the name of Bank of Singapore	Sembcorp Industries: 31,200	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and / or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Yes Temasek International Advisors (subsidiary of Temasek Holdings) • Senior International Advisor	No	No	No	No
Conflict of interest (including any competing business)	No	No	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes	Yes

Additional Information on Directors Seeking Re-election

Other Principal Commitments Including Directorships

Name of Director	Tan Sri Mohd Hassan Marican	Tham Kui Seng	Ajaib Haridass	Nicky Tan Ng Kuang	Dr Josephine Kwa Lay Keng
Past (for the last 5 years)	Regional Economic Development Authority of Sarawak	Global Logistic Properties SPI (Australia) Assets Housing & Development Board Maxwell Chambers Singapore Land Authority The Straits Trading Company Straits Real Estate Temasek International Advisors	Sembcorp Marine Small Claims Tribunal of the State Courts	National Cancer Centre Research Fund Community Cancer Fund	Energy Studies Institute, National University of Singapore (NUS) Southern Steel Barghest Building Performance Raffles Marina Holdings
Present (listed companies)	Sembcorp Industries Sembcorp Marine	Sembcorp Industries Banyan Tree Holdings	Sembcorp Industries Nam Cheong	Sembcorp Industries	Sembcorp Industries Southern Steel
Present (others)	Sarawak Energy Lambert Energy Advisory mh Marican Advisory Singapore Power Pavilion Energy Pavilion Energy Trading & Supply Pavilion Gas Lan Ting Holdings Khazanah Nasional Temasek International Advisors	Avanda Investment Management Sembcorp Properties Sembcorp Design and Construction Co-opted member, executive committee (ExCo), Airport Development, Changi Airport Group Senior Advisor, Frasers Property Member, Corporate Governance Advisory Committee		Flametree Offshore National University Health System (NUHS) nTan Corporate Advisory nTan Capital Fund Singtel Innov8 Singtel Innov8 Holdings Chloride Eastern Industries Member, Nee Soon Town Council Chairman, investment & finance committee, Nee Soon Town Council Member, ExCo, NUHS Chairman, audit and risk committee, NUHS Member, management committee, Pei Chun Public School Member, audit and risk committee, MOH Holdings	Energy Studies Institute, NUS Barghest Building Performance Agency for Science, Technology and Research (A*STAR)

Information required pursuant to Listing Rule 704(7)

Name of Director	Tan Sri Mohd Hassan Marican	Tham Kui Seng	Ajaib Haridass	Nicky Tan Ng Kuang	Dr Josephine Kwa Lay Keng
a. Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No	No
b. Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No	No
c. Whether there is any unsatisfied judgment against him?	No	No	No	No	No
d. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No	No
e. Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No	No
f. Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No	No
g. Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No	No
h. Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No	No

Information required pursuant to Listing Rule 704(7) *(cont'd)*

Name of Director	Tan Sri Mohd Hassan Marican	Tham Kui Seng	Ajaib Haridass	Nicky Tan Ng Kuang	Dr Josephine Kwa Lay Keng
i. Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No	No
j. Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:					
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No	No	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No	No
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No	No	No
k. Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No	No
Disclosure applicable to appointment of Director only					
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.	N.A.	N.A.	N.A.

Corporate Information

Registered Office
30 Hill Street #05-04
Singapore 179360
Tel: (65) 6723 3113
Fax: (65) 6822 3254
www.sembcorp.com

Board of Directors
Ang Kong Hua
Chairman

Neil McGregor
Group President & CEO

Margaret Lui
Tan Sri Mohd Hassan Marican
Tham Kui Seng
Dr Teh Kok Peng
Ajaib Haridass
Nicky Tan Ng Kuang
Yap Chee Keong
Jonathan Asherson OBE
Dr Josephine Kwa Lay Keng

Executive Committee
Ang Kong Hua
Chairman

Neil McGregor
Margaret Lui
Nicky Tan Ng Kuang
Tham Kui Seng

Audit Committee
Yap Chee Keong
Chairman

Dr Teh Kok Peng
Ajaib Haridass
Jonathan Asherson OBE

Risk Committee
Ajaib Haridass
Chairman

Yap Chee Keong
Dr Teh Kok Peng
Jonathan Asherson OBE

Executive Resource & Compensation Committee
Ang Kong Hua
Chairman

Margaret Lui
Tan Sri Mohd Hassan Marican
Nicky Tan Ng Kuang
Tham Kui Seng

Nominating Committee
Ang Kong Hua
Chairman

Margaret Lui
Tan Sri Mohd Hassan Marican
Nicky Tan Ng Kuang

Technology Advisory Panel
Ang Kong Hua
Chairman

Neil McGregor
Dr Teh Kok Peng
Jonathan Asherson OBE
Dr Josephine Kwa Lay Keng
Prof Ng How Yong
Prof Lui Pao Chuen

Company Secretary
Kwong Sook May

Registrar
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

Principal Bankers
Citibank N.A.

Credit Agricole Corporate
& Investment Bank

DBS Bank

Mizuho Bank Ltd

MUFG Bank Ltd

Oversea-Chinese Banking
Corporation Limited

Standard Chartered Bank

Sumitomo Mitsui Banking Corporation

The Hongkong and Shanghai Banking
Corporation Limited

United Overseas Bank Limited

Auditors
KPMG LLP
Public Accountants and
Chartered Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Partner-in-Charge: Ling Su Min
(Appointed during the financial year ended December 31, 2014)

This page has been intentionally left blank

The paper used in this report is a mixture of fibre from a FSC™ certified forest, reclaimed fibre and other controlled sources. This report is printed using soy-based ink, which is more environmentally friendly as opposed to traditional petroleum-based ink.

Sembcorp Industries Ltd
30 Hill Street #05-04
Singapore 179360
Tel: (65) 6723 3113
Fax: (65) 6822 3254
www.sembcorp.com
Co Regn No. 199802418D