

Directors' Statement

Year ended December 31, 2021

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, 2021.

In our opinion:

- the financial statements set out on pages 51 to 112 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, 2021 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date are in accordance with the provisions of the Companies Act 1967, Singapore Financial Reporting Standards (International) and International Financial Reporting Standards; and
- 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
 Tham Kui Seng
 Ajaib Haridass
 Nicky Tan Ng Kuang
 Yap Chee Keong
 Dr Josephine Kwa Lay Keng
 Nagi Hamiyeh
 Lim Ming Yan (Appointed on January 18, 2021)
 Tow Heng Tan (Appointed on June 1, 2021)
 Wong Kim Yin

Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act 1967, 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:

Name of director and corporation in which interests held	Direct interest		Deemed interest	
	At beginning of the year / date of appointment	At end of the year	At beginning of the year / date of appointment	At end of the year
Ordinary shares of the Company				
Ang Kong Hua ¹	552,000	651,400	–	–
Tham Kui Seng	124,400	145,200	–	–
Ajaib Haridass ²	113,000	137,000	–	–
Nicky Tan Ng Kuang	83,100	105,700	–	–
Yap Chee Keong ¹	73,100	97,800	–	–
Dr Josephine Kwa Lay Keng	26,600	42,000	–	–
Nagi Hamiyeh	–	14,400	–	–
Lim Ming Yan	–	–	–	–
Tow Heng Tan ³	–	–	22,715	22,715
Wong Kim Yin	–	78,677	–	–

Name of director and corporation in which interests held	Direct interest		Deemed interest	
	At beginning of the year / date of appointment	At end of the year	At beginning of the year / date of appointment	At end of the year
Conditional share award				
Wong Kim Yin				
PSP 2021-2022 (Note 1a)	–	377,900	–	–
PSP 2021-2023 (Note 1b)	–	998,900	–	–
PSP-TI 2021-2025 (Note 1c)	–	1,824,000	–	–
RSP 2020 (Note 2a)	–	157,353	–	–

¹ All shares are held in the name of DBS Nominees Pte Ltd

² Of the 137,000 SCI shares, 5,000 shares are held in the name of Bank of Singapore and 100,000 shares are held in the name of Bank Julius Baer & Co Ltd

³ Deemed interest in the shares registered in the name of his wife

Note 1: The actual number delivered will depend on the achievement of set targets over the performance period as indicated below. No performance shares will be delivered if achievement of targets is below threshold level. Based on the achievement of performance targets:

- Period from 2021 to 2022 (PSP 2021-2022)
For this period, 0% to 200% of the conditional performance shares awarded could be delivered
- Period from 2021 to 2023 (PSP 2021-2023)
For this period, 0% to 200% of the conditional performance shares awarded could be delivered
- Period from 2021 to 2025 (PSP-TI 2021-2025)
For this period, 0% to 140% of the conditional performance shares awarded could be delivered

Note 2: With effect from 2019, restricted shares were granted based on the financial performance and corporate objectives achieved in the preceding year.

- RSP 2020
In 2021, 78,677 SCI shares (1st release of the 1/3 of 236,030 shares) were vested on May 31, 2021. The remaining shares will be vested in Year 2022 and 2023.

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 / date of appointment 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, 2022.

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 B4(a) and G5(d) 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.

Directors' Statement

Year ended December 31, 2021

Share-based Incentive Plans

The Company's Performance Share Plan 2020 (SCI PSP 2020) and Restricted Share Plan 2020 (SCI RSP 2020) (collectively, the 2020 Share Plans) were approved and adopted by the shareholders at an Annual General Meeting of the Company held on May 21, 2020.

The Executive Resource & Compensation Committee (the Committee) of the Company has been designated by the Board 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*)
 Nicky Tan Ng Kuang
 Tham Kui Seng
 Lim Ming Yan (Appointed on June 1, 2021)

The 2020 Share Plans aim to strengthen the Company's competitiveness in attracting, retaining and motivating talented key senior management and senior executives, to incentivise superior performance and sustainable growth, and to align the interests of participants and shareholders. Under the 2020 Share Plans, the Group President & CEO and top management are required to hold shares equivalent to a multiple of the individual participant's annual base salaries.

Details of 2020 Share Plans are disclosed in Note B6 to the financial statements.

a. Performance Share Plan (PSP)

The details of the performance shares of Sembcorp Industries Ltd awarded during the financial year since commencement of the PSP (aggregate) are as follows:

Performance shares participants	Movements during the year						At December 31
	At January 1	Conditional performance shares awarded	Conditional performance shares adjusted	Conditional performance shares lapsed	Performance shares lapsed arising from targets not met	Conditional performance shares released	
2021							
Key executives of the Group ¹	7,682,784	11,579,491	–	(1,360,565)	(3,604,282)	–	14,297,428

¹ Includes PSP for Group President & CEO of Sembcorp Industries Ltd

The Committee reviews achievement of the performance targets annually. For the period from 2018 to 2020, as the result of not achieving the targets, no PSP shares granted were vested. In 2021, 3,604,282 (2020: 849,553) performance shares lapsed for under-achievement of the performance targets for the performance period 2018 to 2020 (2020: 2017 to 2019).

Pursuant to the distribution in specie of ordinary shares in the capital of Sembcorp Marine Ltd which was completed on September 11, 2020 and per the rules of SCI PSP Plan, the ERCC approved the adjustments of an additional 3,825,317 SCI shares to be made to the outstanding SCI Share Awards granted under the SCI PSP 2010.

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, 2021, was 14,297,428 (2020: 7,682,784). Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 22,348,888 (2020: 11,524,176) performance shares.

b. Restricted Share Plan (RSP)

The details of the restricted shares of Sembcorp Industries Ltd awarded during the year are as follows:

Restricted shares participants	Movements during the year				At December 31
	At January 1	Conditional restricted shares awarded	Conditional restricted shares released	Conditional restricted shares lapsed	
2021					
Non-executive directors of the Company:					
Ang Kong Hua	–	99,400	(99,400)	–	–
Tham Kui Seng	–	20,800	(20,800)	–	–
Ajaib Haridass	–	24,000	(24,000)	–	–
Nicky Tan Ng Kuang	–	22,600	(22,600)	–	–
Yap Chee Keong	–	24,700	(24,700)	–	–
Dr Josephine Kwa Lay Keng	–	15,400	(15,400)	–	–
Nagi Hamiyeh	–	14,400	(14,400)	–	–
Lim Ming Yan	–	–	–	–	–
Tow Heng Tan	–	–	–	–	–
Employees of the Group¹	10,512,748	2,752,412	(5,703,103)	(1,254,333)	6,307,724
	10,512,748	2,973,712	(5,924,403)	(1,254,333)	6,307,724

¹ Includes RSP for Group President & CEO of Sembcorp Industries Ltd

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2021, was 6,307,724 (2020: 10,512,748). With the change in the remuneration structure, with effect from 2019 award, the RSP balances represent 100% of targets achieved, but not released subject to individual performance and fulfilment of service conditions at vesting. The actual release of the awards is a maximum of 6,307,724 (2020: 10,512,748) restricted shares.

Sembcorp Challenge Bonus

There were no restricted shares awarded and paid under Sembcorp Challenge Bonus during the year. In 2020, with the Committee's approval on the achievement factor for performance targets for the performance period 2019, a total of S\$0.9 million, equivalent to 440,335 notional restricted shares, were awarded and paid.

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.

Directors' Statement

Year ended December 31, 2021

Audit Committee

The members of the Audit Committee during the year and at the date of this report are:

Yap Chee Keong (*Chairman*)

Ajaib Haridass

Lim Ming Yan (*Appointed on February 22, 2021*)

The Audit Committee held six 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, and 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 Companies Act 1967, 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;
- interim 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 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 AGM 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



Wong Kim Yin
Director

Singapore
February 23, 2022

Independent Auditors' Report

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 sheet of the Group and the balance sheet of the Company as at December 31, 2021, the consolidated statement of profit or loss, 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 51 to 112.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (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 financial position of the Group and the Company as at December 31, 2021 and of the financial performance, changes in equity and 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.

Impairment assessment of property, plant and equipment, long-term contracts, and interests in associates and joint ventures and goodwill (collectively, the Group's non-financial assets)

(Refer to Notes D1, D3 and G4 to the financial statements: property, plant and equipment of S\$7,094,000,000, goodwill of S\$159,000,000, long-term contracts of S\$103,000,000 and associates and joint ventures of S\$1,600,000,000).

Risk:

As at December 31, 2021, the Group's non-financial assets for the Conventional Energy segment amounted to S\$5,022,000,000. The Group's key Conventional Energy segment assets are in China, India, Singapore and United Kingdom.

Management performs impairment assessment of these assets at least annually and as and when indicators of impairment occur. As a result of management's impairment review, the Group recognised impairment losses totalling S\$212,000,000 as the recoverable amounts for certain CGUs did not support the assets' carrying amounts.

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 (VIU). As the fair values of these assets are not readily determinable, the Group measures the recoverable amount using the discounted cash flow technique to derive the assets' VIU.

The determination of the recoverable amounts of these CGUs involves a high degree of judgement and is subject to significant estimation uncertainties, principally, the discount rates, gross margin forecasts and plant load factors. 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 as well as political and regulatory developments.