

Directors' Statement

Year ended December 31, 2022

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, 2022.

In our opinion:

- the financial statements set out on pages 53 to 115 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, 2022 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
Tow Heng Tan
Tham Kui Seng
Ajaib Haridass
Yap Chee Keong
Dr Josephine Kwa Lay Keng
Nagi Hamiyeh
Lim Ming Yan
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 | At end of the year | At 21/01/2023 | At beginning of the year | At end of the year | At 21/01/2023 |
| Ordinary shares of the Company | | | | | | |
| Ang Kong Hua ¹ | 651,400 | 730,000 | 730,000 | – | – | – |
| Tow Heng Tan ² | – | 8,700 | 8,700 | 22,715 | 22,715 | 22,715 |
| Tham Kui Seng | 145,200 | 162,400 | 162,400 | – | – | – |
| Ajaib Haridass ³ | 137,000 | 155,500 | 155,500 | – | – | – |
| Yap Chee Keong ¹ | 97,800 | 116,800 | 116,800 | – | – | – |
| Dr Josephine Kwa Lay Keng | 42,000 | 54,300 | 54,300 | – | – | – |
| Nagi Hamiyeh | 14,400 | 29,600 | 29,600 | – | – | – |
| Lim Ming Yan | – | 19,100 | 19,100 | – | – | – |
| Wong Kim Yin | 78,677 | 395,188 | 2,829,688 | – | – | – |

| Name of director and corporation in which interests held | Direct interest | | Deemed interest | |
|--|--------------------------|--------------------|--------------------------|--------------------|
| | At beginning of the year | At end of the year | At beginning of the year | At end of the year |
| Conditional share award | | | | |
| Wong Kim Yin | | | | |
| PSP 2021-2022 (Note 1a) | 377,900 | 377,900 | – | – |
| PSP 2021-2023 (Note 1b) | 998,900 | 998,900 | – | – |
| PSP 2022-2024 (Note 1c) | – | 521,300 | – | – |
| PSP-TI 2021-2025 (Note 1d) | 1,824,000 | 1,728,200 | – | – |
| PSP-TI 2022-2025 (Note 1e) | – | 1,751,000 | – | – |
| RSP 2020 (Note 2a) | 157,353 | 78,676 | – | – |
| RSP 2021 (Note 2b) | – | 284,066 | – | – |

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

² Deemed interest in the shares registered in the name of his wife

³ Of the 155,500 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

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 2022 to 2024 (PSP 2022-2024)
For this period, 0% to 200% of the conditional performance shares awarded could be delivered
- Period from 2021 to 2025 (PSP-TI 2021-2025)
In FY2022, 95,800 SCI shares were vested on May 31, 2022. The remaining shares could be vested between 2023 to 2025
- Period from 2022 to 2025 (PSP-TI 2022-2025)
For this period, 0% to 140% of the conditional performance shares awarded could be delivered

Note 2: With effect from FY2019, restricted shares were granted based on the financial performance and corporate objectives achieved in the preceding year.

- RSP 2020
In FY2022, 78,677 SCI shares (2nd release of the 1/3 of 236,030 shares) were vested on April 1, 2022. The remaining shares will be vested in Year 2023.
- RSP 2021
In FY2022, 142,034 SCI shares (1st release of the 1/3 of 426,100 shares) were vested on April 1, 2022. The remaining shares will be vested in Year 2023 and 2024.

Directors' Statement

Year ended December 31, 2022

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 at the end of the financial year.

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 G4(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.

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)*
 Tow Heng Tan *(Appointed on April 21, 2022)*
 Tham Kui Seng
 Lim Ming Yan

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 | At January 1 | Movements during the year | | | | At December 31 |
|--|--------------|--|---------------------------------------|--|---|----------------|
| | | Conditional performance shares awarded | Conditional performance shares lapsed | Performance shares lapsed arising from targets not met | Conditional performance shares released | |
| 2022 | | | | | | |
| Key executives of the Group ¹ | 14,297,428 | 12,103,400 | (505,994) | (2,106,243) | (1,076,800) | 22,711,791 |

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

The Committee reviews achievement of the performance targets annually. In 2022, 2,106,243 (2021: 3,604,282) performance shares lapsed for under-achievement of the performance targets for the performance period 2019 to 2021 (2021: 2018 to 2020).

Of the performance shares released, 19,900 (2021: nil) performance shares were cash-settled. The remaining performance shares were released via the issuance of treasury shares.

The total number of performance shares granted conditionally but not released as at December 31, 2022, was 22,711,791 (2021: 14,297,428). Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 34,557,122 (2021: 22,348,888) performance shares.

Subsequent to December 31, 2022 and up to the date of this report, as a result of achievement of performance targets, a total of 8,224,400 shares was released to employees of the Group including a director of the Company under the Sembcorp Industries Performance Share Plan 2020.

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 | At January 1 | Movements during the year | | | At December 31 |
|--|------------------|---------------------------------------|--|--------------------------------------|------------------|
| | | Conditional restricted shares awarded | Conditional restricted shares released | Conditional restricted shares lapsed | |
| 2022 | | | | | |
| Non-executive directors of the Company: | | | | | |
| Ang Kong Hua | – | 78,600 | (78,600) | – | – |
| Tow Heng Tan | – | 8,700 | (8,700) | – | – |
| Tham Kui Seng | – | 17,200 | (17,200) | – | – |
| Ajaib Haridass | – | 18,500 | (18,500) | – | – |
| Yap Chee Keong | – | 19,000 | (19,000) | – | – |
| Dr Josephine Kwa Lay Keng | – | 12,300 | (12,300) | – | – |
| Nagi Hamiyeh | – | 15,200 | (15,200) | – | – |
| Lim Ming Yan | – | 19,100 | (19,100) | – | – |
| Employees of the Group¹ | 6,307,724 | 2,742,994 | (4,716,332) | (262,339) | 4,072,047 |
| | 6,307,724 | 2,931,594 | (4,904,932) | (262,339) | 4,072,047 |

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 2022, was 4,072,047 (2021: 6,307,724). 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 4,072,047 (2021: 6,307,724) restricted shares.

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, 2022

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

Dr Josephine Kwa Lay Keng (*Appointed on April 21, 2022*)

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, 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 20, 2023

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, 2022, 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 53 to 115.

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, 2022 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, intangible assets and interests in associates and joint ventures (collectively, the Group's non-financial assets)

(Refer to Notes D1, D3 and G3 to the financial statements: property, plant and equipment of S\$5,305,000,000, intangible assets of S\$697,000,000 and associates and joint ventures of S\$2,287,000,000).

Risk:

As at December 31, 2022, the Group's non-financial assets amounted to S\$8,289,000,000. Management performs impairment assessment of these assets at least annually and as and when indicators of impairment or impairment reversal occur.

CGUs identified for impairment assessment are found in Note D3.

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 amounts 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 gross margin forecasts, plant load factors and discount rates used. Gross margin forecasts and plant load factors depend on customer demand that corresponds with tariff rates that can be affected by political and regulatory developments.