Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Sembcorp Industries Ltd

Stock code: U96

Meeting details:
Date: 22 April 2021
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the message to shareholder, in a year when the pandemic caused unprecedented disruptions to nations, companies and individuals, the group started a new chapter by ushering in new leadership and completing the landmark demerger between Sembcorp Industries and Sembcorp Marine. Mr. Wong Kim Yin was appointed as Group President & CEO of SCI and Director of SCI on 1 July 2020.

The group incurred a net loss of $(997) million for the full year, including fair value loss of $(970) million recorded following the completion of the distribution-in-specie of the ordinary shares in the capital of Sembcorp Marine and a net loss of $(184) million for the marine business prior to the demerger.

The group also recorded exceptional items of $(144) million in FY2020.

Would the board provide shareholders with greater clarity on the following operational, financial and strategic matters? Specifically:

(i) **Energy:** While the group's focus is on renewable energy, currently the group still derives 56% of its segmental profit from gas and thermal power (page 17). The group has gross power capacity of 3,218 MW from renewable and 9,481 MW from thermal (page 18). **How long will the group's transition to a renewable-centric operator take? What are the group's long-term plans for the thermal power plants?**

(ii) **New markets: Does the group have plans to enter new markets to leverage its expertise in renewable energy? If so, which are the markets that are the most attractive and have good potential?**

(iii) **Sembcorp Salalah Power and Water Company: Can management provide shareholders with greater clarity on the operational and financial status of Sembcorp Salalah Power and Water Company?** The group recognised an impairment of $(81) million for this Omani investment (page 200).

(iv) **Negative goodwill:** The group recognised negative goodwill of $17 million as a result of the acquisition of Veolia Singapore from the vendor who was looking to exit the public cleaning and waste management business in Singapore to focus on its core operations. **Can management elaborate further on the intangible assets of $10 million that contributed to the $17 million in negative goodwill?** The group also acquired property, plant and equipment valued at $26 million as part of the deal (page 193).

(v) **Gasoil:** The group has also written down the inventory of gasoil reserves to net realisable value amounting to a loss of $(38) million. This excludes the amount of $(44) million impaired due to the alleged fraud by Hin Leong Trading. **Can management elaborate further on the reasons for this impairment on its inventory?**

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(vi) **Urban: Can management elaborate further on how it intends to acquire landbank to support the business?** The land available for sale has declined steadily from 3,589 hectares in FY2015 to 3,428 hectares in FY2016, to 3,138 hectares in FY2017, to 2,670 hectares in FY2018, to 2,600 hectares in FY2019 and to 2,473 hectares in FY2020.

Q2. Details of the group's capital structure and capital management approach can be found on page 128 (reproduced below).

The Group's debt-to-capitalisation ratio as at the balance sheet date was as follows:

	Group	
(S$ million)	2020	2019
Debt	7,728	10,800
Total equity	3,476	7,879
Total debt and equity	11,204	18,679
Debt-to-capitalisation ratio	0.69	0.58

(Source: company annual report)

With the demerger of the marine business, the group retained $7.73 billion in debt and has total equity of $3.48 billion. The debt-to-capitalisation ratio is 0.69 times. The debt-to-equity ratio is 2.22 times.

(i) **Has the board set a limit on the group's debt-to-capitalisation/debt-to-equity?**

(ii) **What is the debt headroom available to the group to support its strategic growth objectives?** The energy and urban segments are both capital-intensive and have long gestation periods.

The group reported a total shareholder return ("TSR") of 51% in FY2020. The TSR since 2014 has been (15.6)%, (28.8)%, (3.3)%, 8.8%, (14.9)%, (8.4)% and 51% respectively. Based on the reported TSR, a shareholder would have experienced a loss of approximately (25.6)% from FY2014-FY2020.

(iii) **Does the board/management track the TSR over a longer horizon, such as 3-year, 5-year and 10-year periods?** This can be included in future annual reports to show how the group is creating long-term value for shareholders.

(iv) **Has the board estimated its cost of capital? What is the hurdle rate/ROI used in the board's approval process for new investments in the energy and urban segments?**

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(v) **What guidance has the board given to management to ensure that new projects, when entered into, generate a return that is commensurate with the level of risks taken?**

Q3. As noted in the chairman and CEO's statement, Tan Sri Mohd Hassan Marican, Dr Teh Kok Peng and Jonathan Asherson OBE would be retiring from the board at the forthcoming annual general meeting (page 5). Tan Sri Mohd Hassan Marican, Dr Teh Kok Peng and Jonathan Asherson OBE were each first appointed in June 2010, October 2012 and July 2017 respectively (page 54).

(i) **Would the director/company help shareholders understand the reason(s) for Mr Jonathan Asherson OBE to not seek his re-election?** Mr Jonathan Asherson OBE was first appointed to the board on 17 June 2017 and re-appointed at the AGM held on 20 April 2018.

As noted in the corporate governance report, and not considering Tan Sri Mohd Hassan who will be retiring, Mr Ang Kong Hua and Mr Tham Kui Seng have each served on the board for more than nine years.

Mr Ang and Mr Tham were each first appointed on 26 February 2010 and 1 June 2011 respectively. The board has stated that, after a rigorous and thorough review, the nominating committee (NC) recommended to the board that Mr Ang and Mr Tham shall remain independent (page 60) and the board concurred with the NC's recommendation. Mr Ang and Mr Tham (including Tan Sri Mohd Hassan) have recused themselves from such discussion and decision-making.

In FY2020, the NC comprises Mr Ang Kong Hua (chairman), Tan Sri Mohd Hassan Marican and Mr Nicky Tan Ng Kuang. Mr Nagi Hamiyeh was only appointed on 22 February 2021 (page 228).

(ii) **Would the NC help shareholders understand what entails a "rigorous and thorough review"?**

(iii) **Can the NC further clarify if the rigorous and thorough review on the long tenured directors was carried out by the other "non conflicted" NC member since Mr Ang, Tan Sri Mohd Hassan and Mr Tham have recused themselves from such discussion and decision-making (page 60)?**

The chairman and CEO in their statement to shareholders had also said that the group started a new chapter in its history by ushering in new leadership.

(iv) **Can the NC elaborate further on the progressive renewal of the board, including the succession plans for the chairman (Provision 4.1 of the Code of Corporate Governance 2018)?**

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Separately, the company has stated (page 57) that board and board committee meetings, as well as annual general meetings (AGMs) are scheduled in consultation with the directors before the start of each year, with the aim of achieving full attendance for all meetings. Directors who are unable to attend in-person are allowed to participate remotely through voice calls or video conferencing.

Mr Nicky Tan Ng Kuang was appointed on 1 November 2015. The attendance of Mr Nicky Tan Ng Kuang at board and board committee meeting since FY2016 is shown below:

Directors' Attendance at Board and Board Committee Meetings in 2016

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 2016	**8**	**6**	**7**	**4**	**5**	**3**	**4**	**1**
Nicky Tan Ng Kuang[1]	7/8**	5/6**	–	–	–	–	–	1/1

Directors' Attendance at Board and Board Committee Meetings in 2017

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 2017	**6**	**6**	**5**	**4**	**4**	**2**	**4**	**1**
Nicky Tan Ng Kuang[3]	5/6*	5/6*	–	–	3/3	1/1	–	1

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**
Nicky Tan Ng Kuang	8/9*	5/5	–	–	3/4	2/2	–	1

Directors' Attendance at Board and Board Committee Meetings in 2019

Board member	Board	E ExCo	A AC	R RC	C ERCC	N NC	T TAP	AGM
Total number of meetings held in 2019	**8**	**6**	**5**	**4**	**4**	**2**	**4**	**1**
Nicky Tan Ng Kuang	7*	6	–	–	4	2	–	1

Directors' Attendance at Board and Board Committee Meetings in FY2020

Board Member	Board	E ExCo	A AC	R RC	C ERCC	N NC	T TAP	AGM	EGM
Total number of meetings held in 2020	**7**	**4**	**9**	**5**	**4**	**1**	**4**	**1**	**1**
Nicky Tan Ng Kuang[1]	7	4	–	–	3*	0*	–	1	1

(Source: company annual reports)

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From FY2016, Mr Tan missed one board meeting a year in 4 out of the 5 years, missed one ExCo meeting a year in 2 out of the 5 years, missed one ERCC meeting a year in 2 out of the 4 years and he missed the only NC meeting held in 2020. Although the director could not attend the meetings, the company has stated that Mr Tan had conveyed his views/comments for consideration prior to the meetings.

(v) **Can the company help shareholders understand if there were extenuating circumstances that led the said director to miss meetings in the past 5 financial years?**

(vi) **Can the company confirm that Mr Tan had not participated remotely through voice calls or video conferencing?**

(vii) **How can the company, the company secretary and the directors work better together to meet the goal of achieving full attendance for all meetings?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)