



Sustainable Financing Framework

Sembcorp Industries

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1. Introduction

Sembcorp Industries (Sembcorp) is a leading energy and urban solutions player, driven by our purpose to do good and play our part in building a sustainable future.

Renewable Energy



- Wind
- Solar
- Energy Storage Systems

Integrated Urban Solutions



- Urban
- Water
- Waste & Waste-to-Resource

Conventional Energy



- Power & Steam
- Gas & Related Services

Leveraging our sector expertise and global track record, Sembcorp delivers innovative energy and urban solutions that support the energy transition and sustainable development.

By focusing on growing our renewables and integrated urban solutions businesses, we aim to transform our portfolio towards a greener future and be a leading provider of sustainable solutions. Sembcorp has a global energy portfolio and a proven track record of transforming raw land into sustainable urban developments across Asia.

Sembcorp is listed on the main board of the Singapore Exchange.

More information can be found on our [website](#).

1.1 Sembcorp's approach to sustainability

Sustainability is central to Sembcorp's purpose and strategy. We believe 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 provide our shareholders a sustainable return.

Sembcorp's sustainability framework articulates three ambitions for the future and supports the UN Sustainable Development Goals (SDGs). We aim to:

- 1) Enable a low-carbon and circular economy
- 2) Empower people and communities
- 3) Embed responsible business practices

OUR PURPOSE

Sembcorp's purpose and passion is to do good and play our part in building a sustainable future. Our vision is to be a leading provider of sustainable solutions - supporting development and creating value for our stakeholders and communities.



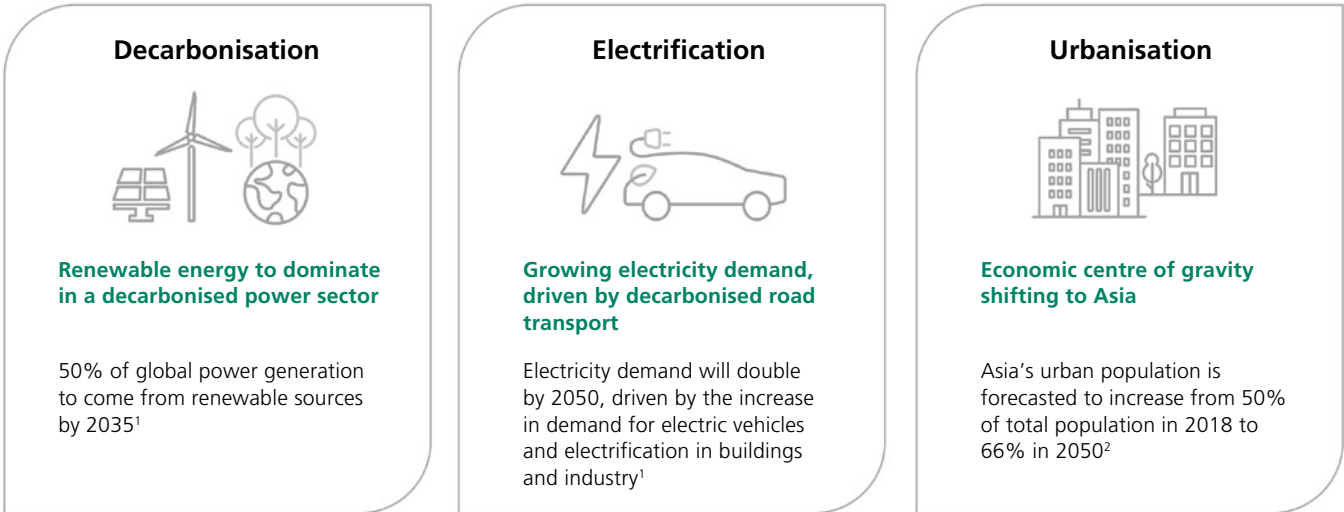
The main duties of Sembcorp's board of directors include providing leadership on Sembcorp's overall strategy, which take into consideration our material sustainability issues. Sembcorp has a Sustainability Steering Committee (SSC), chaired by our Group President & CEO that provides strategic direction for managing sustainability-related risks and opportunities. The SSC provides updates to the Board via the Board Risk Committee. To ensure that sustainability is embedded into the business, ESG components are included in the performance scorecard of the Sembcorp leadership team.

Sembcorp is a signatory to the United Nations Global Compact (UNGC), a supporter of the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD) and Carbon Pricing Leadership Coalition (CPLC). Information on our credentials can be viewed on the Memberships, Certifications and Ratings page of our [website](#).

1.2 Strategic transformation of portfolio from brown to green

Our vision is to be a leading provider of sustainable solutions. In May 2021, we announced our strategic plan to transform our portfolio from brown to green, by focusing on growing our renewables and integrated urban solutions businesses.

Our strategy addresses the megatrends of decarbonisation, electrification and urbanisation. These megatrends are global in nature and particularly pronounced in Asia. As the world transitions towards a low-carbon economy, the global energy mix will shift towards cleaner sources, with renewable energy dominating growth. By 2035, we expect half of global power generation to come from renewable sources. In Asia, we see Governments setting ambitious sustainability and green growth targets.



¹ McKinsey Global Energy Perspective 2019, 2021

² United Nations, Department of Economic and Social Affairs, Population Division (2018). *World Urbanization Prospects: The 2018 Revision*

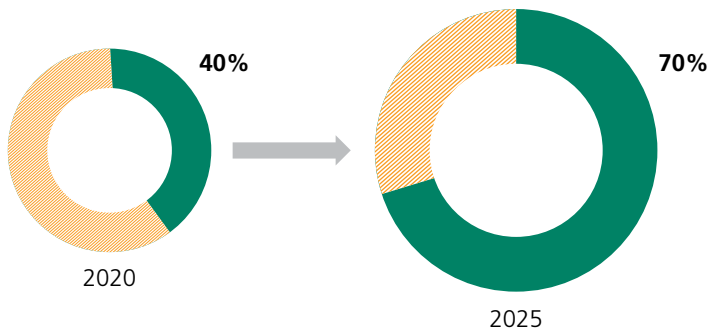
Our transformation plan to support the global energy transition and sustainable development particularly in Asia is underpinned by clear targets.

- **More sustainable**
By 2025, Sembcorp aims for our sustainable solutions portfolio to comprise 70% of the Group's net profit, up from around 40% in 2020.
- **More renewable**
By 2025, Sembcorp aims to quadruple our gross installed renewable energy capacity to 10GW, up from 2.6GW at the end of 2020.
- **More sustainable urban development**
By 2025, Sembcorp aims to triple land sales from our urban business to 500 hectares, up from 172 hectares in 2020.
- **Lower carbon emissions**
By 2025, Sembcorp aims to reduce our greenhouse gas (GHG) emissions intensity to 0.40 tonnes of carbon dioxide equivalent per megawatt hour (tCO₂e/MWh) from 0.54 tCO₂e/MWh in 2020.

Transforming our portfolio from Brown to Green

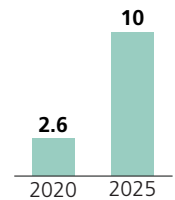
MORE Sustainable

% Share of Net Profit from Sustainable Solutions¹



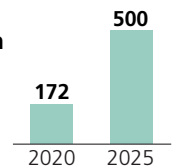
MORE Renewables

Gross installed capacity, gigawatts



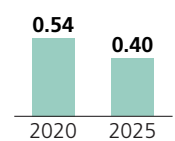
MORE Sustainable Urban Developments

Land sales, hectares



LOWER Carbon Emissions

Emissions intensity, tCO₂e/MWh



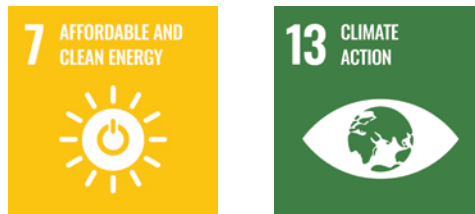
¹ Percentage based on Net Profit excluding corporate costs and exceptional items. Sustainable Solutions include Renewables (wind, solar and energy storage) and Integrated Urban Solutions (urban, water, waste and waste-to-resource).

Core to our strategic plan is our commitment to climate action. The world is rapidly moving towards a low-carbon economy, creating significant disruption, risks and opportunities. Sembcorp understands that we have a responsibility to respond to climate change.

Sembcorp was the first Singapore energy company to launch a comprehensive climate change strategy in 2018. As part of our strategic transformation plan, our Climate Action Plan 2021 stepped up our commitment to a low-carbon economy. In addition to the 2025 target to reduce GHG emissions intensity to 0.40tCO₂e/MWh, we also made the following commitments.

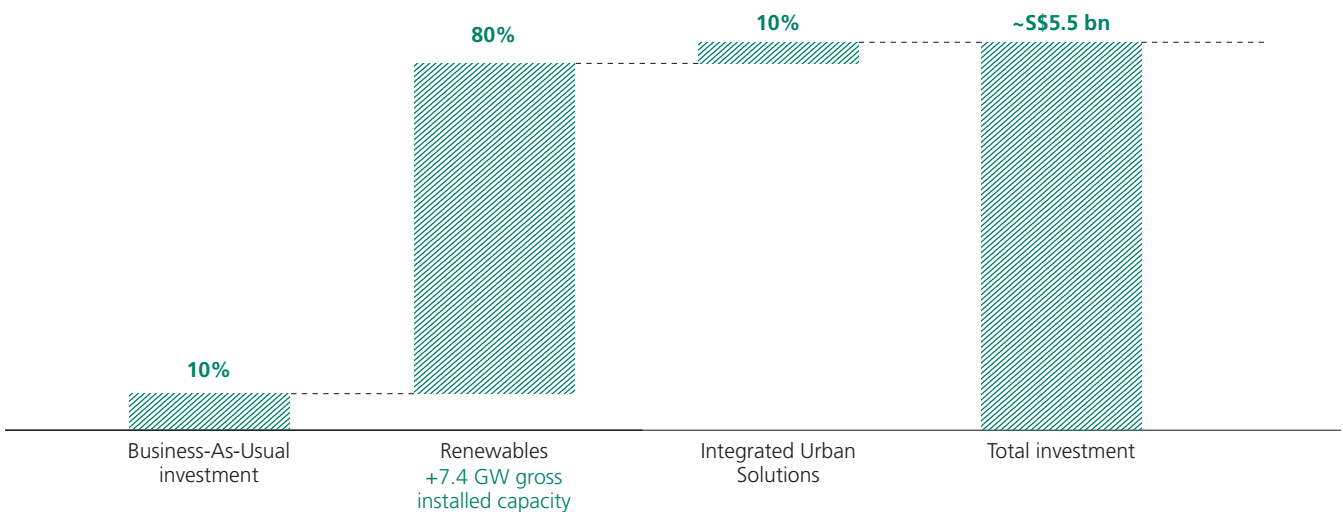
- **By 2030, Sembcorp aims to reduce absolute GHG emissions to 2.7 million tCO₂e**
- **By 2050, Sembcorp aims to deliver net-zero emissions**
- **Sembcorp commits to no new coal-fired energy asset investments**

Sembcorp is committed to the UN SDGs. In line with our strategic focus, we have adopted SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action) as our priority SDGs.



To support sustainable development and the global energy transition, and achieve our strategic targets, we expect to invest significantly in sustainable solutions to drive growth in the Renewables and Integrated Urban Solutions segments. 80% of the Group’s estimated total capital investment of S\$5.5 billion for 2021 to 2025 is expected to be allocated to growth in the Renewables sector. In addition, the Group will manage our Conventional Energy assets to optimise or realise value, and explore optionality around them.

5-year cumulative growth investment focuses on Renewables and Integrated Urban Solutions (2021 - 2025)



2. Rationale for establishing a Sustainable Financing Framework

With a vision to be a leading provider of sustainable solutions, Sembcorp aims to transform our portfolio from brown to green and support the global energy transition and sustainable development. To demonstrate our commitment to a more sustainable future and to support our strategic transformation plan, we believe that it is important to integrate sustainability across the financing tools of the company. With the intention to undertake sustainability-linked transactions, Sembcorp has established this Sustainable Financing Framework (Framework).

The Framework outlines the Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs) for Sembcorp's Sustainable-Linked Transactions (SLTs). Sembcorp intends to enter into multiple SLTs under this Framework, including but not limited to the products listed below:

- Sustainability-Linked Bonds (SLBs);
- Sustainability-Linked Loans (SLLs);
- or any other Sustainability-Linked instruments (e.g. commercial paper, derivative instruments or any other form of financial instruments available).

For the avoidance of doubt, the SLTs may be in any currency, tenor or with other terms and conditions, including covenants, arising from the Group's financing strategy as well as the outcome of the commercial discussions between the Group and its lenders and investors. The SLTs may also be undertaken by any subsidiary of the Group.

3. Alignment with Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2021

This Framework has been established in accordance with the Sustainability-Linked Bond Principles (SLBP) 2020 as administered by ICMA¹.

The Framework has the following five components:

- 1) Selection of Key Performance Indicators
- 2) Calibration of Sustainability Performance Targets
- 3) Financial characteristics
- 4) Reporting
- 5) Verification

Substantially similar core components are outlined under the Sustainability-Linked Loan Principles 2021, administered by Loan Syndications and Trading Association (LSTA), Asia Pacific Loan Market Association (APLMA) and Loan Market Association (LMA) in connection with sustainability-linked loans².

This Framework covers Sustainability-Linked Bonds, Sustainability-Linked Loans and any other debt instruments whose financial characteristics are linked to sustainability performance targets.

¹ Sustainability-Linked Bond Principles 2020: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf>

² Sustainability-Linked Loan Principles 2021: https://www.lma.eu.com/application/files/8416/2210/4806/Sustainability_Linked_Loan_Principles.pdf

3.1 Key Performance Indicators

As an energy producer, our generation activities release greenhouse gas emissions that contribute to climate change. It is of critical importance to minimise negative impact by reducing our operational emissions, while enhancing our positive impact by growing our renewable energy capacity. The KPIs we have selected are core, relevant and material to our business. These KPIs suitably measure the progress of our transformation towards a low-carbon and sustainable solutions portfolio, delivery of net-zero emissions in 2050, and contribution to the UN SDGs.

Table 1: List of KPIs

KPIs	Units	UN SDG Contribution	Rationale
1 GHG emissions intensity ³ (Scope 1 and 2)	tCO ₂ e/MWh	SDG 13	KPI#1 is a key measure to track our performance against our 2025 emissions intensity target.
2 GHG absolute emissions ⁴ (Scope 1 and 2)	tCO ₂ e	SDG 13	KPI#2 is a key measure to track our progress on significantly reducing GHG emissions by 2030 and delivering net-zero by 2050.
3 Gross installed renewable energy capacity ⁵	GW	SDG 7	KPI#3 will support KPI#1, our Climate Action Plan 2021 and our strategic plan to transform our portfolio from brown to green.

3.2 Sustainability Performance Targets

1) Emissions reduction:

We target to reduce our GHG emissions intensity to 0.40tCO₂e/MWh by 2025. This target is aligned to the scientific guidance of limiting global warming to well-below 2° C, compared to pre-industrial levels.

We also target to reduce our absolute GHG emissions to 2.7 million tCO₂e by 2030. This target is aligned to the scientific guidance of limiting global warming to 1.5° C, compared to pre-industrial levels.

2) Renewable growth:

We target to grow gross installed renewable energy capacity to 10GW by 2025.

Factors that support or might put achievement of SPTs⁶ at risk will be disclosed in the relevant SLT(s) documentation, according to relevant documentation.

³ Group GHG emissions intensity includes our total direct emissions (Scope 1) from our activities, indirect emissions (Scope 2) from our energy consumption and biogenic emissions from bioenergy feedstocks divided by total energy generated and purchased. It is calculated using an equity share approach for all our operations in accordance with the GHG Protocol.

⁴ Group absolute GHG emissions includes our total direct emissions (Scope 1) from our activities and indirect emissions (Scope 2) from our energy consumption. It is calculated using an equity share approach for all our operations in accordance with the GHG Protocol.

⁵ Gross installed renewable energy capacity includes wind, solar and energy storage capacity. It refers to 100% of the tested gross capacity of the plant at commercial operation date or after major upgrades, and assumes 100% ownership of the facility.

⁶ SPT threshold will be specified in the SLTs documentation, as applicable.



Sustainability Performance Targets (SPTs)



SPT#1
GHG emissions intensity
(Scope 1 and 2)

2025 Target: 0.40tCO₂e/MWh
2020 Baseline: 0.54tCO₂e/MWh
Observation date: 31 Dec 2025



SPT#2
Absolute GHG emissions
(Scope 1 and 2)

2030 Target: 2.7 million tCO₂e
2020 Baseline: 26.5 million tCO₂e
Observation date: 31 Dec 2030



SPT#3
Gross installed renewable
energy capacity

2025 Target: 10GW
2020 Baseline: 2.6GW
Observation date: 31 Dec 2025

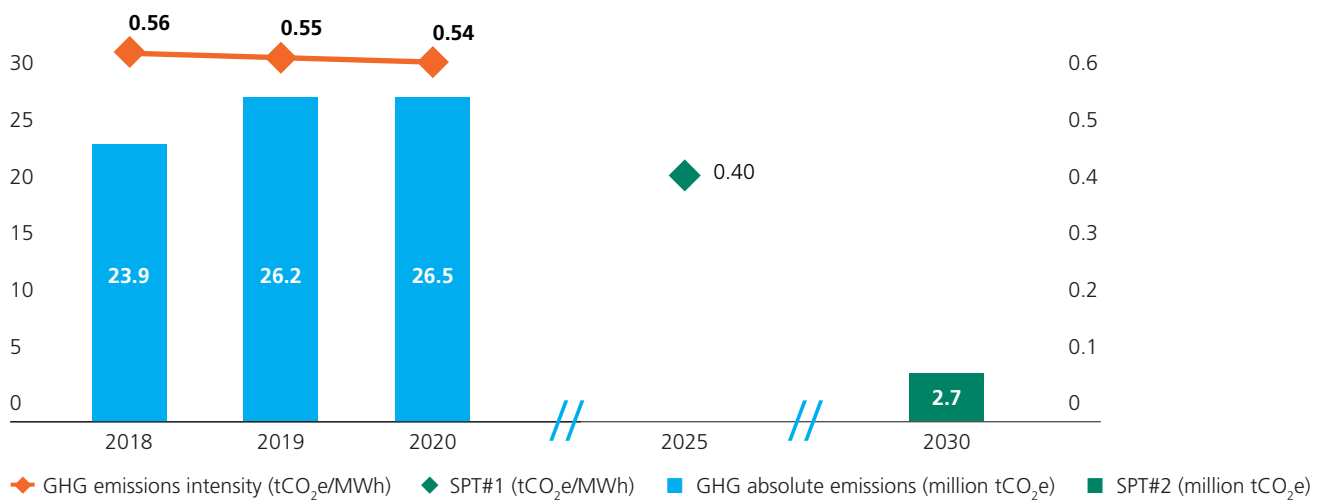


Figure 1: Sembcorp's historical performance and targets for KPI#1 and KPI#2: GHG emissions (intensity and absolute)

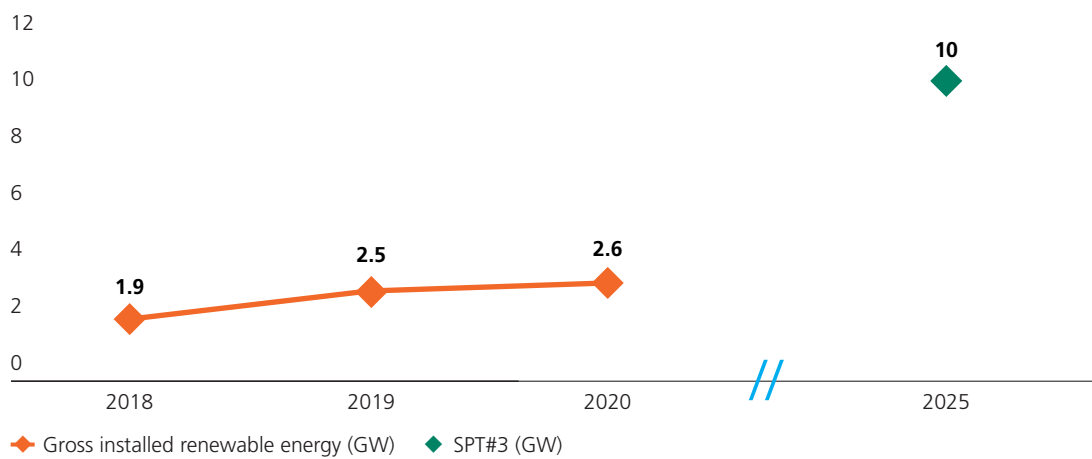


Figure 2: Sembcorp's historical performance and targets for KPI#3: Gross installed renewable energy capacity (GW)

3.3 Financial Characteristics

This section of the Framework only applies to Sustainability-Linked Bonds and Sustainability-Linked Loans.

The proceeds of Sembcorp's SLT(s) will be used for general corporate purposes and refinancing of existing debt.

The failure by Sembcorp to satisfy the chosen SPT(s) as of the relevant Sustainability Performance Target Observation Date may trigger a step-up margin, bringing an increase in the interest rate applicable to interest periods following such reference date.

The achievement by Sembcorp of the chosen SPT(s) as of the relevant Sustainability Performance Target Observation Date may trigger a step-down applicable to interest periods following such reference date.

The step-up or step-down margin, as applicable, will be specified in the relevant SLT(s) documentation.

3.4 Reporting

Sembcorp is committed to transparency in reporting on its SLTs. Sembcorp will make the following information, but not limited to, on SLTs available on its website and Annual / Sustainability Report and update it at least annually over the period of the SLTs still outstanding:

- Up-to-date information on the performance of the selected KPI, including the baseline where relevant;
- Up-to-date information on the SPT outlining the performance against the SPT and the related impact, and timing of such impact, on a financial instrument performance;
- Any relevant information enabling investors to monitor the progress of the SPT; and
- An assurance report on our sustainability indicators including our KPIs.

3.5 Verification

Sembcorp's Framework has been reviewed by DNV Business Assurance Singapore Pte. Ltd., who provided a Second Party Opinion, confirming the alignment with the Sustainability-Linked Bond Principles (SLBP) 2020 administered by the ICMA, and Sustainability-Linked Loan Principles (SLLP) 2021, administered by LSTA, APLMA and LMA.

An External Verifier will verify the performance of the KPIs annually. The External Verifier will be a qualified provider of third party assurance or attestation services.

Amendments to this Framework

Sembcorp will review this Framework from time to time, including its alignment to updated versions of the relevant principles and when they are released, with the aim of adhering to the best practices in the market. Sembcorp will also review this Framework in case of material changes in the perimeter, methodology, and in particular KPIs and / or the SPT's calibration.

Such a review may result in this Framework being updated and amended. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer, where necessary. The updated Framework, if any, will be published on Sembcorp's website and will replace this Framework.

Disclaimer

This Sustainable Financing Framework is for information purposes only. Unless specifically referred to in an offering document, this Sustainable Financing Framework cannot be relied upon in connection with, and does not constitute or form part of, any offer to sell or offer to buy securities of Sembcorp (including any subsidiary of Sembcorp).



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