Company Registration Number: 196300098Z

Sembcorp Marine Ltd 59th Annual General Meeting Responses to Additional Questions from Shareholders

Singapore, 19 April 2022 – Subsequent to the announcement dated 7 April 2022 where the Company had provided responses to questions received from shareholders in relation to the AGM, Sembcorp Marine Ltd ("**Sembcorp Marine**" or the "**Company**", and together with its subsidiaries, the "**Group**") has received additional questions from shareholders.

The Company's responses to the substantial and relevant questions, which relate to the resolutions tabled at the AGM, are set out in the Appendix according to the following themes:

I. **Business Management & Outlook**
II. **Financials**

Sembcorp Marine President & CEO Mr Wong Weng Sun will provide an overview on the Company's businesses and business outlook during his presentation at the AGM.

Appendix

I. BUSINESS MANAGEMENT & OUTLOOK

1. **In light of the current high oil price environment, how is the traditional fossil fuel business doing? Can you provide a market update?**

   Good to see that Sembcorp Marine has been proactively diversified into renewable energy related business over the past few years, compared to the traditional oil and gas business. Could you share the expectation of the return/internal rate of return from offshore renewable projects versus those in oil & gas?

   Sustainable solutions, comprising renewables and cleaner energy, account for a significant amount of your current order book at 43%. How do you intend to seek a balance between the high growth renewables and the traditional fossil fuels based businesses?

   Outlook for the oil & gas industry is anticipated to improve due to stronger oil prices, severe under-investments in exploration and production in recent years, and the critical need to replenish production depletion.

   The strengthening of oil prices has provided impetus for oil and gas companies to review plans for the resumption of deferred activities, final investment decisions and capital expenditures.

   While oil & gas remain critical resources, the outlook for energy transition, including areas such as offshore wind and hydrogen, is robust. Global offshore wind expenditure is projected to grow at a compound annual growth rate of 11% this decade to reach US$126 billion per year by 2030, according to independent energy research firm, Rystad Energy, in its 29 April 2021 report (see link).

   Sembcorp Marine has the flexibility and expertise to respond to opportunities in both traditional oil & gas as well as the renewables and clean energy sectors. The Group aims to increase its revenue from sustainable solutions covering gas, renewables and cleaner energy which accounted for 30% of turnover in FY2021 to 40% by 2030. For more information, please refer to the Company's Sustainability Report 2021. We are actively developing emerging tender opportunities in renewables, cleaner energy and gas solutions, as well as pursuing multiple projects covering FPSOs, FSOs and FPUs, with tenders in progress.

2. **Oil prices are now above US$100/bbl. Will the company finally be able to turn the corner? At what price level does oil prices have to be at for the company to breakeven?**

   What is the company's view on the outlook, prospects and direction of oil prices going forward in 2022 and 2023?

   Sembcorp Marine is a provider of innovative and sustainable engineering solutions, products and services for the offshore, marine and energy industries, catering to both traditional oil & gas, as well as the renewables and clean energy sectors. The Group's profitability is driven mainly by the value of its projects, versus the cost of executing them.

   We are not able to provide specific details on the rate of return/profitability of our projects due to commercial confidentiality.

   The Group does not make speculative comments on oil prices.

3. **The MOU for the combination with Keppel Offshore & Marine (Keppel O&M) was signed in 2021.**

    a. **Given the high oil price and the significant change in the macro environment now, has there been an assessment done by the management on whether it will be better for the Group to continue as a standalone entity and not be combined with Keppel O&M?**

    While I understand that the combination will give rise to the synergies between both entities, Sembcorp Marine can be nimble and carve out a success on its own – given the higher volume of bids and enquiries of projects recently – and stand on its own without the combination.

    b. **Has there been any change in the considerations when the Group signed the MOU and now?**

    c. **If not, what has the Board deliberated on in deciding which one provides the greater value to the shareholders?**

    It is envisaged that the Proposed Combination, if completed, would create a stronger player with combined synergies from increased operational scale and enhanced capabilities, to compete for larger contracts and capitalise on opportunities in the O&M, renewable and clean energy sectors.

    Growing commitments by governments and companies around the world to achieve net zero will create strong demand for renewables and clean energy, including areas such as offshore wind, hydrogen and ammonia.

    Sembcorp Marine has since 2015 embarked on a strategic business transformation with an increasing focus on renewables and other green solutions and built up substantial capabilities and a good track record.

    This has been validated by wins in the renewable sector. Please refer to our 2021 Annual Report and Sustainability Report for more details of our projects. The most recent win is a contract for the construction of a wind turbine installation vessel (WTIV).

    Meanwhile, the industry outlook for oil and gas is also improving on the back of stronger oil prices, thus providing impetus for oil and gas companies to review plans for the resumption of deferred activities, final investment decisions and capital expenditures.

    By leveraging the respective strengths and track records of both Sembcorp Marine and Keppel O&M, the Combined Entity would be able to realise synergies, and deliver sustainable value over the long term for its shareholders. As advised in our recent announcement on 31 March 2022, the Group is working towards signing of a definitive agreement by end April 2022.

4. **Would the proposed merger face significant regulatory hurdles and scrutiny from competition watchdogs?**

    Depending on the final structure of the Proposed Combination, the definitive agreement related to the Proposed Combination will be subject to various conditions, including relevant regulatory approvals.

5. **The company has more than 31 billion shares in issue. Would the company be doing a share consolidation to reduce the number of shares?**

   Thank you for the suggestion. This matter would be reviewed and considered at an opportune time.

6. **The company has a special committee to "assist the Board in conducting internal investigations into allegations of improper payments in Brazil and deal with issues arising from the matter". Please provide updates on the findings of the committee. When was the last update? When did the special committee last meet? Is this special committee still in force? When will this special committee be dissolved? Are we liable to pay compensation, like in the case of Keppel, and if so, how much compensation do we have to fork out?**

   The Group has posted several updates on the matter. For more information, please refer to the 2021 Annual Report and various announcements dated 30 March 2015, 21 February 2018, 3 July 2019, 8 July 2019, 3 February 2020, 21 February 2020 and 4 June 2020 on the Company's website.

   We will make the necessary announcement when there are further material developments.

7. **I note that several directors of the company did not subscribe fully to their entitlements in last year's Rights Issue. Do they take a dim view of the company's outlook and prospects?**

   The Group's directors had subscribed to their Rights entitlements in full or in part, in accordance with the terms and conditions of the 2021 Rights Issue. The Company respects that the investment decisions taken by the directors as shareholders are personal and would depend on their financial commitments and personal holdings, which varied significantly. The Company is encouraged that all the directors of the Company have demonstrated their support by subscribing for the Rights Shares, in full or in part.

II. FINANCIALS

8. **It is proposed that directors' fees would increase to S$2.25 million from S$1.8 million last year. Why are directors' fees being increased when the company made a loss of S$1.17 billion last year and has been losing money in recent years? Shareholders have not been paid dividends for years, so please justify and account for the more than 20% increase in directors' fees being put forth at the coming AGM.**

In 2021, the non-executive directors continued to take a 10% reduction of their fees. There is also no increment in base directors' fees. In addition, only one attendance fee was paid if a director attended multiple meetings on the same day.

The Chairman and Deputy Chairman of the Board do not receive the basic retainer fee for directors, or any further fees or allowances for his services as chairman/deputy chairman or member of any Board committees. The President & CEO who is also an Executive Director does not receive any directors' fees.

The higher amount of directors' fees proposed for FY2022 is mainly due to the inclusion of an all-in fee for the Deputy Chairman of the Board who was appointed in December 2021.

9. **I note the staff costs rose from $353.8 million to $429.6 million. Please justify and explain the increases in salaries and bonuses paid to staff when the company has lost more money this year.**

The increase in staff costs was mainly due to the hiring of skilled workers from alternative sources in 2021 to address the acute manpower shortage arising from COVID-19 restrictions and to accelerate the completion of projects, which were delayed by more than 12 months.

While the Group made good progress to expedite the recruitment of skilled labour, this has resulted in increased manpower and other related costs to complete the Group's ongoing projects. On average, recruitment from the alternative sources costs more than twice that from the sources the Group used to recruit from.

The labour shortage situation has stabilised during the fourth quarter to enable smoother execution of projects and the achievement of multiple project deliveries in FY2021 and 1Q2022. With the easing of COVID-19 border restrictions, the Group expects to be able to revert to non-traditional sources for its recruitment of skilled workers.

10. **Please explain the 50% increase in audit fees, from $656,000 to $927,000. Why was there such a sizeable increase in audit fees?**

The increase in audit fees is attributed to a wider scope of audit and due diligence processes.

11. **Do you not think that the company should be looking at how to reduce its cost structure, make it more lean and get rid of its excesses, in a bid to enable the company to return to profitability? Please explain and detail cost-control measures taken over the past year, if any, that were implemented to right-size and make the company more lean and sustainable going forward.**

The Group has implemented various initiatives for resource optimisation, improved project execution and procurement processes, and digitalisation, as part of measures to control costs, while enhancing operational synergy and cost-competitiveness.

Non-essential capex has been suspended, with the exception of maintenance capex to ensure yard safety and operability.