



Company Registration Number: 196300098Z

**SEMBCORP MARINE LTD 60TH ANNUAL GENERAL MEETING
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS
FROM SHAREHOLDERS**

Singapore, 25 April 2023 – Sembcorp Marine Ltd (“**Sembcorp Marine**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) would like to thank shareholders for submitting their questions in advance of the 60th Annual General Meeting of the Company (“**AGM**”) to be held by electronic means at 11.00 am on 26 April 2023.

The Company has received questions from shareholders in relation to the AGM and is releasing with this announcement the responses to the said questions.

Questions

- 1. It is proposed that director fees would increase from S\$2.25 million to S\$2.35 million. Why are director fees being increased when the Company made a loss of more than S\$250 million last year and has been losing money for many years and counting? Shareholders have not been paid dividends for years, so please justify and account for the increase in director fees being put forth for the coming AGM.**

The Company has gone through a severe and prolonged downturn, with COVID-19 accentuating the difficulties. This impacted all companies within the offshore and marine industry. The Company's losses were incurred as a result of delayed project deliveries and the much higher costs of labour resulting from the restrictions and lack of resources during the pandemic. The Company's directors had expended considerable efforts and provided leadership and guidance to help the Company to ride through the significant challenges. As a result, losses have been significantly reduced in FY2022 compared with those in FY2020 and FY2021.

Following the combination of the Company and Keppel & Offshore Marine Ltd ("Combination"), the scale and complexity of the business have increased significantly. The Directors' fees were benchmarked across companies of similar scale and complexity and based on this updated directors' framework, the fees were slightly adjusted in tandem.

The higher amount of directors' fees for 2023 is mainly due to the increase in basic retainer fee and attendance fees for the board and board committee meetings and in anticipation of appointment of additional directors to the Board. The fees reflect a combined entity of larger scale and complexity with provisions for an increased number of meetings given the ongoing integration arising from the Combination.

Further details of the updated directors' fees framework and fees are set out in the Corporate Governance Report section on pages 65 to 66 of the Company's 2022 Annual Report, and on page 6 of the [Notice of Annual General Meeting \(AGM\) dated 3 April 2023](#).

- 2. It is proposed that the Company pay the former directors of the Company "special director fees" of S\$2.075 million. Why are special director fees of more than S\$2 million being proposed to be paid to the former directors when the Company has made billions of dollars in losses, seen a fall in share price/value and gone through two rights issues, with no dividends paid to shareholders for many years?**

The former directors had worked relentlessly to steer the Group through the extremely challenging past years of prolonged severe industry downturn and pandemic. The confluence of factors following the downcycle and COVID-19 had led to losses in the last several years. The Group has since emerged more resilient from the various crises and is ready for the next phase of evolution and growth.

The special fees for the Group's former directors are also in recognition of their efforts, significant additional time commitment, and active oversight of the Combination with Keppel Offshore & Marine Ltd ("KOM"), which spanned about 20 months, culminating in the successful conclusion of the merger.

Further details can be found on page 7 of the [Notice of Annual General Meeting \(AGM\) dated 3 April 2023](#).

- 3. Why did Keppel Corp sell its shares in Sembcorp Marine on 3 April (70 million shares of SCM were sold by Keppel on 3 April as per SGX filing)? Is the share sale done due to fund claims by SCM in relation to certain contingent liabilities? What are these contingent liabilities? Will there be more such contingent liabilities? Please explain and elaborate.**

In accordance with the terms and conditions of the Amended and Restated Combination Framework Agreement announced on 27 October 2022, Keppel Corporation Ltd ("KCL") was to retain a 5% stake in the Company ("Retained Stake") to be placed in a segregated account to meet certain identified contingent liabilities (should they arise) for a period of up to 48 months from the completion of the Combination. This segregated account is managed by an independent third-party ("Segregated Account Agent") who has the authority to monetise the retained stake based on pre-agreed parameters. The Retained Stake will be sold down by the Segregated Account Agent in a measured and orderly manner based on the pre-agreed parameters, which neither the Company nor KCL will control. KCL will retain discretion to approve block sales proposed by the Segregated Account Agent falling outside of the pre-agreed parameters. The proceeds from the encashment of the Retained Stake shall be used to satisfy any claims by the Company against KCL for the KOM Identified Contingent Liabilities for a period of up to 48 months from 28 February 2023. To date, no such claims have been made by the Company.

For more details on the Retained Stake and Segregated Account, please refer to paragraphs 5.1.3, 5.5 and 6 of the [Circular to Shareholders dated 31 January 2023](#).

4. The Company has more than 68 billion shares in issue. Would the Company be doing a share consolidation to reduce the number of shares?

The Company undertakes regular reviews of its capital requirements and structure from time to time including share consolidation. The Company will provide updates via the SGX-ST if there are any material development or action on such matters.

5. Regarding the proposed change of Company name from Sembcorp Marine to "Seatrium", did the Company engaged an external consultant for this name change exercise? If yes, who is the external consultant & how much did the Company pay to this external Consultant? Can the Board reconsider using a different name?

To arrive at the proposed name "Seatrium", the Company, with the support of an external brand consultant undertook a robust process to identify and evaluate suitable names which are symbolic of our business and relevant to our industry. More than 1,000 names were generated, and a rigorous process of legal and linguistic screening was carried out to ensure that the chosen name would be appropriate and viable.

"Seatrium" is a combination of two words - "sea" and "atrium". It is where the best and brightest engineering minds, those who find their calling and passion in the maritime industry, gather in an atrium of endless possibilities. It is a reflection of our business and our aspiration to be a premier global player providing innovative engineering solutions for the offshore, marine and energy industries.

6. Please provide an update on the latest progress on the integration of SCM and KOM into one entity? How many overlapping roles/staff were identified, retrenched or redeployed? Have we been able to consolidate the two entities and reap the benefits and synergies of the merger? Please illustrate what tangible benefits of the merger have we derived? How are the resources, especially manpower, optimised between business units and/or projects? Is there an estimate of how much combined expenses can be saved? Please detail and elaborate.

It has been less than two months since the legal completion of the Combination. Good progress has been made on integrating the key management of the two entities. This will ensure the smooth execution of the Group's current order book of more than S\$20 billion.

The process of identification, assessment and achievement of synergies are ongoing. They include plans to optimise resources, enhance cost efficiencies and maximise the extraction of synergies, with the aim of sharpening our competencies and capabilities to differentiate from the competition. Such process is expected to continue through the course of the year.

As and when there are material developments or information arising from such exercise, the Company will update its shareholders accordingly.

7. Does the Company have sufficient resources, both financial and human capital, to execute the increased orders received? Are these orders profitable in terms of gross and net profit margins? What are the consequences in terms of penalties if the Company is unable to deliver?

The Company believes that following the merger, it has the necessary resources to execute and deliver all projects in its growing order book. Typical consequences of failure to deliver include liquidated damages and/or cancellation of the project.

To ensure smooth execution and timely completion of all its projects, active measures are undertaken to enhance operational resilience, flexibility and capabilities. Manpower, financial and other resources are strategically deployed in alignment with our operational requirements to ensure timely delivery of all projects in our order book.

The Company also works closely with customers to achieve mutually beneficial outcomes and to mitigate any project cancellation risks. There has been no cancellation of any of the Group existing projects to-date.

Overall, the projects in its current order of more than S\$20 billion are expected to be profitable.

8. I note the staff costs rose from S\$429.6 million to S\$538 million. Please justify and explain the sizable increases in salaries and bonuses paid to staff when the Company has lost more money this year. Shouldn't the Company be looking at how to reduce its cost structure, be more lean and get rid of its excesses, in a bid to enable the Company to return to profitability?

The increase in staff costs were attributable to measures to recruit certain skilled labour which were experiencing critical shortages due to COVID-19 related factors. The additional labour was required to enable completion of a total of 13 key projects, one by 4Q2021, and 12 by 4Q2022.

The average cost of such additional labour was more than twice the average cost of our existing equivalent labour, and the majority were incurred in FY2022. This was the main contributor to the increase in staff costs in 2022. As shared in the Company's 3Q9M 2022 Business Update, the significant delay in the repatriation of these higher cost additional labour due to border restrictions and unavailability of flights to their home country, also contributed to the one-off increase in staff costs in 2022.

9. 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.

Over the past year, the Group continued to execute ongoing initiatives to optimise resources, improve project execution and procurement processes, and accelerate digitalisation, as part of its continuous efforts to control costs, drive operational synergies and enhance cost-competitiveness.

The Group has also suspended non-essential capex, with the exception of maintenance capex to ensure yard safety and operability.

Going forward, the Company will focus on increasing its order book and revenue to improve its operating leverage, while concurrently identifying revenue and cost synergies following the completion of the Combination. These measures are expected to improve operating margins and generate sustainable returns for shareholders.

10. What is the Company's view on the outlook, prospects and direction of oil price going forward in 2023 and 2024? When can we expect the Group to breakeven and be profitable/cash-flow positive?

The industry outlook for oil & gas, offshore renewables and other green solutions continues to improve amid the ongoing energy transition. The Company continues to see improvement in orders visibility, underpinned by high oil and gas prices, renewed concerns over energy security in the wake of geopolitical tensions, and the accelerated energy transition towards renewables. Oil & gas companies and energy suppliers have also picked up pace in reviewing ongoing new projects and previously deferred activities.

The above, together with the completion of the Combination have resulted in a significant increase in the Group's current net order book to more than S\$20 billion. The Group continues to actively work on multiple tender prospects across the energy transition, including cleaner oil & gas as well as offshore renewables opportunities.

With the completion of the Combination, the enlarged Group has commenced implementation of integration initiatives. The Group expects to benefit from greater synergies from the broader geographical footprint, larger operational scale and enhanced capabilities of the Combined Entity.

The above factors will underpin the operational and financial performance of the Group, which is expected to continue to improve going forward. The Group expects to provide further guidance on its path to profitability and positive cash flow when it announces its 1H2023 results.

11. Please explain the more than double increase in audit fees, from \$841k to \$1.796m. Why was there such a sizable increase in audit fees?

The increase in FY2022 audit fees is mainly attributable to:

- Increase in the audit scope arising from the Combination with KOM as Reporting Accountants, as well as supporting other aspects of the Combination;
- Increase in scope of the annual statutory audit arising from the increasing complexity of the business landscape; and
- Adjustment for inflation, and taking into consideration that past years' audit fees were generally low compared to market rates as our Auditors had held back fee adjustments in the past years in view of the Company's financial situation.

12. With the ongoing conflicts in Russia and Ukraine triggering global supply disruption, shortage of supplies/raw materials, and ultimately price escalation, how is the Company managing this risk to ensure that projects are completed without adversely affecting schedule and/or impacting margins?

The Company actively monitors the source and availability of key materials, equipment and consumables to identify and mitigate possible risk areas in the supply chain. Ensuring geographical diversity and adequate contingency sources are key aspects of our sourcing strategy to mitigate disruption points and ensure supply chain resilience. Inventory levels are closely tracked with contingency supply sources in place for operational continuity.

We engage our suppliers closely to monitor availability of goods and services. Supply chain strategic framework agreements have also been established with key suppliers to ensure security of supply for projects and operations. This enables us to better manage disruption points, enable recovery plans, as well as ensure timely execution and delivery of projects.

The above also helps the Company to hedge against price escalations. As an illustration, prior to committing final contract price with its customer, the Company actively lock in prices for key equipment and materials from its suppliers. Some of the Company's contracts with customers also provide for certain pass through of price increases due to supply chain factors.

- 13. On 29 March 2023, the Company announced that "the Office of the Comptroller General of Brazil ("CGU") has published a notice in the Official Gazette (the "Notice") to the effect that CGU has initiated a preliminary administrative liability proceeding against the Company's subsidiary, Estaleiro Jurong Aracruz Ltda ("EJA") for the investigation of alleged irregularities practiced by EJA". Please provide updates on the above. Also, did the Company make any provisions relating to impropriety in Brazil previously? If so, what is the quantum of provisions made?**

An announcement was made on 29 March 2023 to update that the preliminary administrative proceedings for investigations commenced by Comptroller General of the Union ("CGU") against its Brazilian subsidiary Estaleiro Jurong Aracruz Ltda. ("EJA") relate generally to past conduct investigated by the Brazilian authorities in connection with Operation Car Wash, of which the Company has previously made announcements, the latest being the Circular to shareholders dated 31 January 2023.

The Company will continue to monitor developments in Brazil with respect to the above and will make appropriate announcements in the event of any material developments.

- 14. Previously, the Company had 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" Is this committee still in place? Who are the current members of this committee? Please provide updates on the latest findings of the committee. When was the last update? When did the special committee last meet? If the special committee was already dissolved, given the announcement on 29 Mar, should this special committee be created once again?**

The Special Committee has been dissolved following the completion of the Combination. The Board now deals with the issues arising from such matters.

More details can be found in the [announcement dated 29 March 2023](#) and pages 55 to 65 and pages 99 to 100 of the [Annual Report 2022](#).

- 15. When does the Company expect to declare a dividend given the ongoing restructuring efforts?**

With operations in a cyclical industry, the Company aims to balance returns to shareholders with the need for long term sustainable growth and strives to provide shareholders annually with a consistent and sustainable dividend. The Company has just emerged from a prolonged and severe downturn lasting several years, and will assess its revenue and net profits, cash position, working capital requirements, capital expenditure plans and investment opportunities, and will make a recommendation post FY2023 on any declaration of dividends.

16. As most companies are already back to holding in-person shareholder meetings this year, will the Group be likewise be reverting to face-to-face shareholder meetings henceforth?

The Board of Sembcorp Marine had considered various options for the coming Annual General Meeting (“AGM”) to be held on Wednesday, 26 April 2023.

A physical AGM is not considered feasible as the current number of Sembcorp Marine Shareholders exceeds 75,000. This makes it impossible to accurately estimate the likely attendance in person and to secure a large enough venue for a physical AGM.

Further, in light of the spike in infections in recent weeks, a large physical turnout raises the risk of a COVID-19 event, especially since many of our shareholders are seniors.

In view of the above, the Company has opted for a virtual meeting for the coming AGM. It is anticipated that in 2024 we will move to a hybrid format that allows for both face to face and online participation.

17. Does the Company no longer offer printed copies of the annual report for the benefit of shareholders prefer going through physical copies of the report?

In line with our efforts to go green and reduce our carbon footprint, our annual reports since FY2020 are available only in digital format. The PDF and e-book versions of our 2022 Annual Report, along with the archive of past years’ annual reports, can be accessed at the URL <https://www.sembmarine.com/annual-report>.

We would like to thank shareholders for your understanding and support of our sustainability efforts.

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