Seatrium

Company Registration Number: 196300098Z

SEATRIUM LIMITED 61ST ANNUAL GENERAL MEETING RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS

Singapore, 19 April 2024 – Seatrium Limited ("**Seatrium**" or the "**Company**", and together with its subsidiaries, the "**Group**") would like to thank shareholders for submitting their questions in advance of the 61st Annual General Meeting of the Company ("**AGM**") to be held at 11.00 am on 26 April 2024.

The Company has received questions from shareholders in relation to the AGM and is providing the responses to the substantial and relevant questions in this announcement.

Questions

1. **While the Board's rationale for this Share Consolidation exercise is to increase market interest and attractiveness of the Company, please explain the haste in pushing for this exercise. With consecutive years of losses, shouldn't Seatrium be focusing on getting its act right and returning to profitability before embarking on this exercise? Has the Board researched on performances of post-share prices of Singapore companies which have performed share consolidation and published findings?**

   Seatrium is today in a stronger financial position compared to the past, and we are executing our strategy to build resiliency in the business over time. Over the past year, we have strengthened our balance sheet significantly with higher liquidity and an improved debt maturity profile.

   During our engagement with the investment community, we have received investors' feedback about the price level and volatility of our share price. The share consolidation exercise is proposed to reduce volatility in the Company's share price and increase market interest and attractiveness of the Company. We believe that the proposed share consolidation will be beneficial to the Company and its shareholders over the long term.

   For more details on the proposed share consolidation, please refer to paragraphs 4.1 to 4.7 of the Letter to Shareholders dated 9 April 2024.

2. **This year, it is proposed that director fees would further increase 23% from $2.35 million to $2.9 million. Can you please explain why are director fees being further increased when the company made a record loss of more than S$2 billion last year compared with S$239 million in 2022, and has been making losses for consecutive years? How is the increase in director fees, despite not being profitable and not paying dividends for several years, congruent to the spirit of shareholder alignment?**

   Please justify using numbers and facts, why Seatrium – which has a relatively lower market capitalisation of ~S$5.5 billion as well as made a record net loss of more than S$2 billion last year and not been profitable for several consecutive years – is paying a higher quantum of director fees, compared to some other listed companies with higher market capitalisation and better profitability?

Why there was the necessity to appoint four additional non-executive directors to the Board? Please explain why the present Board is unable to function effectively to lead and guide the Company, and how the additional directors bring value to the Board. Please also explain why the additional appointments cannot be postponed until Seatrium achieves profitability as directors' fees alone have now increased to $2.9 million.

The increase in directors' fees is the result of appointing four additional directors to create a world-class Board capable of steering the company through a period of integration, strategic renewal and business turnaround. The Board currently comprises ten directors from diverse backgrounds and nationalities, and with varied industry experience and expertise. A diverse and international board is vital to lead and guide the Company as it aims to transform itself into becoming a premier global player with world-class talent and engineering capabilities.

An enlarged board also reflects an expanded geographical reach of a combined entity with highly experienced directors who are familiar with the industry and Seatrium's international clientele.

Directors' base fees have remained substantially the same, with provision made for additional attendance fees to cater for the event more board meetings are required. The base fees have been maintained at the level paid by Sembcorp Marine prior to the Combination, even though Seatrium is a significantly larger and more complex business.

In addition, all director fees have been extensively benchmarked and are in line with comparable companies.

Further details on the directors' profiles can be found in the Board of Directors section on pages 32 to 41 of the Company's 2023 Annual Report.

For more information on the directors' fees framework and fees, please refer to the Corporate Governance Report section on page 65 of the Company's 2023 Annual Report, and pages 6 to 7 of the Notice of Annual General Meeting dated 9 April 2024.

3. **It appears that too much focus was placed on sustainability when the Board's focus should be on business and operations to take Seatrium to profitability. With a net loss of $2 billion for FY2023 mainly due to write-downs, shouldn't the Board be focusing more on business and operations instead of sustainability and "attractiveness to investors"?**

With the successful completion of the integration and strategic review, Seatrium is expected to benefit from an enlarged business footprint, operational scale and enhanced capabilities. The Board and the Management team are focused on the Company's strategic directions and business operations to deliver an improved financial performance and build a profitable and resilient business over time.

At Seatrium, sustainability underpins every aspect of our strategy, operations and products. The Board is committed to establishing a sustainable future for the Group's businesses and creating long-term value for stakeholders. Sound management of ESG (Environmental, Social and Governance) risks and opportunities is critical to the long-term success of the company.

Driven by the global energy transition, sustainability is embedded as a business opportunity for Seatrium. The Group supports its customers with innovative solutions in offshore wind power generation, maritime decarbonisation, and energy efficiency retrofits, where renewables and cleaner/green solutions currently contribute to approximately 39% of its current net order book.

Increasingly, Seatrium’s diverse global customer base is placing a strong importance on sustainability and the decarbonisation of their own operations, requiring suppliers to provide solutions with a lower carbon footprint and to adhere to social and environmental standards to promote sustainable supply chains.

4. **Staff costs have risen from $429 million to $538 million in 2022. Last year, staff costs went up further by more than 105% from $538 million to $1109 million. Please justify and explain the sizable further increases in salaries and bonuses paid to staff (from $429 million to $538 million in 2022 and further to $1.1 billion in 2023) when the company made a record loss last year.**

   The increase in staff costs is mainly attributable to a larger employee base after the Combination. A larger employee base is required to support the strong net order book of S$16.2 billion.

   Human capital is key to the long-term success of the Company, so our compensation framework has to be competitive, fair and market-driven to attract and retain the talent to execute the strategic initiatives and support future growth.

5. **Did we retrench and/or cut down overlapping roles and staff, and/or redeploy them elsewhere? How many overlapping roles were identified? How many roles were made redundant? Please detail and elaborate.**

   There was no retrenchment undertaken by the Company. Where there were overlapping job responsibilities, employees were re-deployed into other roles that befit their experience and career aspirations. In addition, where there was natural staff attrition, the Company reviewed the job requirements in alignment with the work scope across the combined entity as part of the integration process post Combination.

   In addition, to support a strong current net order book of S$16.2 billion and future growth, it will require the staff strength to execute and deliver its projects.

6. **Audit fees have increased significantly from ~S$841,000 to ~S$1.8 million in 2022 and to S$3.7 million in 2023, representing an increase of more than 105% and 300% respectively from last year and the year before. Please explain the sizable increase in audit fees.**

   How long have we been using KPMG as our auditors? Please justify using numbers and facts to reassure shareholders that we are not being over-charged by our current auditors. If we are being over-charged, can we please change to a more cost-competitive auditor?

   The increase in audit fees was primarily attributable to an increase in non-recurring fees resulting from the acquisition of Keppel Offshore & Marine (renamed Seatrium Offshore & Marine) and inflationary adjustments to the audit fees from FY2022.

   With an expanded scope of audit work arising from the acquisition due to increased business complexity, number of operating entities, and scope of work, additional resource and time was incurred by the auditors to complete the FY2023 audit.

   Management has undertaken a benchmarking exercise to review its base audit fees against comparable companies within the Straits Times Index, and observed that it is within a reasonable range.

   KPMG has been the auditors of the Company since 2008 and management continues to ensure the annual audit fees remain competitive and relevant to the size and complexity of the Company. Annually, the Audit & Risk Committee (ARC) reviews the independence of

KPMG and their performance and proposed audit fees before recommending KPMG for reappointment to the Board. The audit partner of KPMG who oversees the audit is rotated every 5 years in compliance with the listing rules.

7. **When would the Company be expected to turn in a profit and/or pay a dividend, both the earliest and latest?**

We do not provide forecasts on profitability.

With the successful completion of the integration and strategic review, Seatrium is expected to benefit from an enlarged business footprint, operational scale and enhanced capabilities. The Board and the Management team are focused on the Company's strategic directions and business operations to deliver an improved financial performance and build a profitable and resilient business over time.

As presented at our Investor Day in March 2024 (the presentations are available on our corporate website), we target to consistently deliver an EBITDA of at least S$1 billion or more, achieve ROE of 8% or higher, and net leverage of 2 - 3 times or lower through cycle from 2028 or earlier.

Seatrium will, over the next five years, look into investing in capabilities to support our business growth and increase productivity, targeted acquisitions that can accelerate our breakthrough into new growth engines, and shareholder returns through dividends when the Company has attained a sustainable level of profitability and growth, and/or share buybacks.

8. **What cost control measures have been implemented during the past year, if any, to reduce the company's cost structure to be leaner and sustainable going forward? How is the company looking to optimise and cut excesses, in a bid to return to profitability?**

During the past year, the Group undertook a strategic review of its business focus, operational footprint, and assets required to support its strategy of building a profitable and resilient business going forward.

We have since completed the review and identified core assets which bring synergies to the Group; and surplus and non-core assets which have been written down include yards which were identified for eventual closure after the conclusion of specific projects currently deployed therein, and excess and obsolete inventories.

The write-down is expected to improve Seatrium's productivity, optimise its cost structure, and reduce its cash operating expenses, resulting in significant value creation in the medium to long term.

We are implementing S$300 million of savings initiatives, which we expect to fully realise on an annual recurring basis by end 2025, and S$200 million of one-off procurement savings from existing projects to be realised progressively over the next four years.

9. **Please provide an update on the latest progress on the integration of Seatrium following the merger. Have we been able to reap the benefits and synergies of the merger? Please illustrate what tangible benefits of the merger have we derived?**

With the successful completion of the integration and strategic review, Seatrium is expected to benefit from an enlarged business footprint, operational scale and enhanced capabilities. In addition, there are cost savings from synergies and cost optimisation efforts as a combined entity.

Since the merger, we have also organised ourselves around a "One Seatrium" global delivery model where projects are worked on in different yards globally, supported by centralised engineering and technology resources that will facilitate seamless, end-to-end project delivery more cost effectively.

We are implementing S$300 million of savings initiatives, which we expect to fully realise on a recurring basis by end 2025. The savings were identified across a wide range of items such as standardized pricing terms with customers, reduction in overheads, volume pooling, more efficient processes, and asset rationalisation. One-third will come from Cost of Goods Sold (COGS) and about two-thirds from General and Administrative Expenses.

We have also additionally identified procurement savings of S$200 million from existing projects to be realised progressively as projects are executed over the next four years. These savings are driven by centralized procurement and improved supply chain management. Going forward, we will continue to evaluate further savings and synergies across our businesses.

10. What is the company's view on the outlook, prospects and direction of oil price going forward in 2023 and 2024?

The Group does not make speculative comments on oil prices.

Seatrium is strategically positioned to support the twin engines of growth in both energy security and energy transition, leveraging its market leadership in the oil & gas sector while riding on growth in offshore wind.

We are committed to supporting our customers in their multi-energy transition approach. This involves supporting oil and gas production for access to affordable and reliable energy sources, expanding our LNG business to facilitate the transition from fossil to low-carbon solutions, as well as developing low-carbon technologies and new energy solutions to reduce emissions and advance a net-zero future.

11. Given the recent bribery cases and the consolidation of shares that could negatively impact the share prices, what are the mitigation action that will be taken to address these issues?

As indicated in our announcements, we have reached a conclusion in relation to the historical event Operation Car Wash, with its financial impact limited to FY2023.

We are keen to move forward as a new organisation committed to upholding the highest governance standards as the foundation of its future growth, The Company is committed to the highest standards of compliance with all applicable laws, rules and regulations, including a zero tolerance for bribery and corruption.

We have over time implemented a robust compliance programme, including procedures for anti-corruption risk assessments, mandatory compliance training, third-party due diligence, internal and external anti-corruption audits, and to continuously monitor and improve our policies and procedures.

We have implemented the following measures, amongst others:

- A global whistleblower reporting mechanism has also been put in place with the engagement of an independent and reputable third-party provider. This allows centralised reporting in multiple languages and toll-free channels, and allowing whistleblowers to report anonymously.

- In 2023, we received the ISO 37001 Anti-bribery Management System certification for our major operating entities.

- Implementation of various compliance policies and processes group-wide, including a dedicated Anti-Bribery Compliance Policy, a Third-Party Due Diligence Policy, a Code of Conduct for our directors, employees and third-party representatives, a Gifts and Hospitality Policy, and a Sanctions and Trade Compliance Policy.

We will continue to focus on building a profitable and resilient business to create long-term value for our shareholders.

12. Will the company be pursuing any legal action against the two former executives who were charged in Singapore in relation to the Operation Car Wash case announced in March 2024? Will the company be pursuing any action against the two individuals?

Mr Wong Weng Sun and Mr Lee Fook Kang are former employees of Sembcorp Marine Limited and they do not currently hold any executive, non-executive or employment positions in the Group. The Company is not able to comment further as there are pending legal proceedings against them.

13. Why did Keppel Ltd sell its shares in Seatrium? Is the share sale done due to fund claims in relation to certain contingent liabilities? If so, please detail the quantum of such contingent liabilities and its nature. Please explain and elaborate.

You may wish to refer to the announcements of the Company on the SGX website at www.sgx.com under the category "Disclosure of Interest / Change in Interest of Substantial Shareholder(s)/Unitholder(s)" for information on the interest of Keppel Corporation Limited ("**KCL**") in the Company.

You may also wish to refer to paragraphs 5.1.3, 5.5 and 6 of the Circular to Shareholders dated 31 January 2023 for details on the Retained Stake and Segregated Account.

Pursuant to a combination framework agreement dated 27 April 2022 between Sembcorp Marine Ltd ("**SCM**"), KCL and Bayberry Limited (as amended and restated by an amendment and restatement deed dated 27 October 2022 entered into by the same parties) ("**Amended and Restated Combination Framework Agreement**"), the entire issued and paid-up capital of Keppel Offshore & Marine Ltd ("**KOM**") was transferred by KCL to SCM, for a consideration satisfied by way of the allotment of 36,848,072,918 new SCM Shares (collectively, the "**KOM Consideration Shares**" and each a "**KOM Consideration Share**").

Of the KOM Consideration Shares:

(i) KCL had the right to direct that 33,436,191,879 KOM Consideration Shares ("**DIS Shares**") be issued directly to its shareholders pursuant to a dividend in specie of the DIS Shares by KCL ("**Proposed Distribution**");
(ii) 3,411,858,604 KOM Consideration Shares are held by KCL through a sub-account with a depository agent ("**Retained KOM Consideration Shares**"); and
(iii) 22,435 KOM Consideration Shares represent the fractional entitlements after the Proposed Distribution, which are held directly by KCL.

The parties agreed that KCL would retain a 5% stake (the "**Retained Stake**") in SCM post-completion of the Proposed Combination. The Retained Stake would be placed in a segregated account (the "**Segregated Account**") managed by an independent third party (the "**Segregated Account Agent**"). Neither SCM nor KCL have day-to-day authority over encashment of the Retained Stake in the Segregated Account. The Retained Stake will be sold down by the Segregated Account Agent in a measured and orderly manner based on pre-agreed parameters. Any balance of the Retained Stake that is not sold and/or any cash proceeds from the encashment of the Retained Stake remaining in the Segregated Account shall be returned to KCL, unless the cash amounts had been used to satisfy any claims by

SCM against KCL for certain identified contingent liabilities. As at the date hereof, the Company has not made any claims against KCL relating to this.

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. You may wish to refer to the announcements of the Company on the SGX website at www.sgx.com under the category "Disclosure of Interest / Change in Interest of Substantial Shareholder(s)/Unitholder(s)" for information on the interests of Keppel Corporation Limited ("**KCL**") in the Company.

You may also wish to refer to paragraphs 5.1.3, 5.5 and 6 of the Circular to Shareholders dated 31 January 2023 for details on the Retained Stake and Segregated Account.

14. Temasek Holdings has dropped its stake by about 3% in the company from 40.84% as at 9 March 2023 (based on shareholders' information disclosed in FY2022 Annual Report) to 37.93% as at 11 March 2024 in the FY2023 Annual Report. Why did Temasek Holdings (and Keppel) reduce its stake in Seatrium? Does Temasek Holdings lack confidence in the outlook and direction of Seatrium?

We are not in a position to comment on the investment decisions of our shareholders.

Temasek remains the largest and a strategic shareholder of Seatrium and an important stakeholder for the Company in its transformation journey.

Changes to the substantial shareholders' shareholdings are announced accordingly via SGXNet announcements.

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