

Driving Transformation

We are transforming the Company to drive growth and deliver long-term value to all our stakeholders.

Danny Teoh, Chairman

Dear Shareholders,

2022 was a transformational year for Keppel as we simplified and focused our business, and executed our asset-light strategy in line with the Group's Vision 2030. We divested Keppel Logistics¹ in mid-2022 and earlier this year, completed the combination of Keppel Offshore & Marine (Keppel O&M) with Sembcorp Marine, and reached a resolution to our legacy rigs and associated receivables.

Keppel today is a much more streamlined company, which will focus on delivering value to our stakeholders as a leading global asset manager and operator, with strong operational capabilities in Energy & Environment, Urban Development and Connectivity. These are areas in which Keppel has strong expertise and track records, where we can both create value for investors, and contribute to global sustainable development efforts.

Robust Performance

Amidst a volatile international environment, marked by the war in Ukraine, heightened geopolitical tensions, slowing global growth, inflation, and higher interest rates, Keppel delivered robust performance in FY 2022.



The Group achieved a net profit of \$927 million, bolstered by stronger results in Asset Management and Energy & Environment, and Return on Equity (ROE) of 8.1%. Importantly, recurring income made up \$560 million or 67% of the Group's earnings², an increase of 114% from \$262 million in the preceding year, as the Group continues to pivot away from an orderbook business and lumpy property development profits.

In 2022, Keppel delivered Total Shareholder Returns of 49.3%, driven by the Group's transformation and value creation.

Taking into account the Group's strong performance, the Board of Directors has proposed a final cash dividend of 18 cents per share. Together with the interim cash dividend of 15 cents per share, we will be paying out a total cash dividend of

of the legacy rigs to Asset Co, for which we will be repaid over time, and the out-of-scope assets, Keppel is unlocking close to \$9.4 billion of value from the offshore & marine (O&M) transactions.

Growth at Speed and Scale

In last year's annual report, I mentioned Keppel's plans to adopt an asset-light model, through asset monetisation and leveraging third-party funds for growth, as well as to grow in sustainability-related areas such as renewables, clean energy and decarbonisation solutions. In 2022, Keppel made good headway in these areas, which will continue to be our priorities in the year ahead.

We have made significant progress in asset monetisation, with over \$4.6 billion in asset monetisation announced by end-December 2022, since the start of the programme in

In FY 2023, Keppel will recognise a disposal gain of approximately \$3.3 billion arising from the combination of Keppel O&M and Sembcorp Marine. Together with the vendor notes issued to Keppel from the sale of the legacy rigs to Asset Co, for which we will be repaid over time, and the out-of-scope assets, Keppel is unlocking close to \$9.4 billion of value from the O&M transactions.

33 cents per share for the whole of 2022. This is the same as the total cash dividend paid for FY 2021.

It does not include the distribution *in specie* on 1 March 2023 of approximately 19.1 Sembcorp Marine shares to our shareholders for every Keppel Corporation share held, with a value of \$2.19 per Keppel Corporation share³, based on Sembcorp Marine's closing price of 11.5 cents per share on 1 March 2023, which is the first trading day of Sembcorp Marine post combination.

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October 2020. Of this amount, \$1.6 billion was announced in 2022, putting us well on track to exceed the higher end of the Company's \$3-5 billion target by the end of 2023. The significant capital unlocked would allow us to invest in growth initiatives as well as reward shareholders.

Harnessing our asset-light model, we announced about \$2.8 billion worth of energy & environment and sustainable urban renewal-related investments in 2022, jointly undertaken by Keppel together with the private funds and/or business trust managed by Keppel Capital. As at the end of 2022, Keppel Capital has achieved its target of \$50 billion of Assets under Management (AUM) and will next work towards our longer-term AUM target of \$200 billion.

¹ Includes Keppel Logistics' businesses in Singapore, Malaysia, Vietnam and Australia, as well as UrbanFox.

² Excludes discontinued operations.

³ This figure of \$2.19 is rounded to the nearest two decimal places; calculated based on a division of (i) the cash equivalent amount of the dividend declared by the Company of \$3,845,164,646.11, by (ii) the Company's issued and paid-up share capital as at the Record Date of 1,751,959,918 KCL Shares (excluding treasury shares).

⁴ Arising from the Proposed Combination, based on the value of assets and liabilities of Keppel O&M (as Disposal Group) for the Proposed Combination as of 28 February 2023, the gain on disposal recognised in the profit or loss on the date of completion is approximately \$3,300 million. The gain on disposal is subject to adjustment for any reimbursement by the Company to Keppel O&M for certain expenditures incurred by Keppel O&M before the completion of the combination, relating to assets sold by Keppel O&M to Asset Co to the extent that such expenditures are in excess of an agreed sum.

Chairman's Statement



Whether through earning fees from asset management, Energy-as-a-Service or Real Estate-as-a-Service, we are working to grow the Group's recurring income. (In picture: Keppel Infrastructure @ Changi, Singapore's first Green Mark Platinum Positive Energy building under the new and more stringent Green Mark Scheme, houses an intelligent operation nerve centre.)

As we execute Vision 2030 and transform to be a global asset manager and operator, Asset Management would not just be a vertical within the Group, but also a key focus of who Keppel is and how we create value. It will be a horizontal that pulls the different business units together to deliver value as one integrated company. Tapping third-party funds would allow the Group to grow at much higher speed and scale, compared to just relying on our balance sheet.

Keppel's business priorities have also evolved, with a growing focus on sustainability-related solutions. Key initiatives undertaken in 2022 include commencing Singapore's first renewable energy import, developing Singapore's first hydrogen-ready power plant, pivoting our real estate business towards sustainable urban renewal and senior living, and launching the Keppel Sustainable Urban Renewal Fund. In the Connectivity segment, we are growing our data centre and subsea cable businesses, while M1 continues to advance its transformation into a cloud native connectivity platform. Whether through earning fees from asset management, Energy-as-a-Service or Real Estate-as-a-Service, we are working to grow the Group's recurring income.

We are also seeing greater collaboration and integration among business units. Horizontal teams have been established to evaluate business opportunities for the Group across verticals, looking at different asset classes such as real estate, data centres and infrastructure. From the initial investment in greenfield or brownfield projects, to the design and development followed by operation and maintenance phases, to their possible injection upon maturity into a REIT or business trust managed by Keppel, we can derive multiple earnings streams from the assets from "cradle to maturity". This is a key strength for Keppel and one which differentiates us from purely financial investors. In 2022, external revenue from cross-business unit collaboration across the Group amounted to about \$560 million¹, increasing by about 60% from 2020, when we launched Vision 2030. We expect this to continue growing over time, as we deepen integration as OneKeppel.

We continue to invest in technology and innovation to drive the Group's growth. These include sustainability-related innovation such as the opening of *Keppel Infrastructure @ Changi*, Singapore's first Green Mark Platinum Positive Energy building under the new and more stringent

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Green Mark scheme, and preparing for the low-carbon economy through exploring green ammonia and green hydrogen solutions.

We are also investing in digitalisation and building a data lake as a single source of truth. With the data in a form that facilitates analytics as well as automation, we can improve productivity and customer experience, perform continuous assurance and audits, and seize new opportunities through changing how we serve our customers. Artificial intelligence and machine learning can enable us to respond more quickly to changes in internal and external environments, and make timely interventions and course corrections when necessary.

Focus on ESG

During the year, we sharpened our focus on sustainability with the establishment of the Board Sustainability and Safety Committee (BSSC) in May 2022. Sustainability and safety have been included on the agenda of the Board's meeting each quarter and the role of the former Board Safety Committee has been subsumed under the BSSC.

We have announced our target to halve the Group's Scope 1 and 2 carbon emissions by 2030, compared to 2020 levels, and achieve net zero by 2050. We continue to make steady progress towards the target, including through refocusing our portfolio on sustainability-related solutions, improving energy efficiency and harnessing renewables where possible. We have been tracking how the Group contributes to the United Nations' Sustainable Development Goals since 2016 and are also implementing the recommendations of the Task Force on Climate-related Financial Disclosures. We view sustainability not just through the lens of compliance or corporate social responsibility, but also as a source of opportunities and a way for us to create value for the Company, as we help our customers and communities on their net zero journeys.

In 2022, we continued to advance our safety journey, including encouraging front-line staff to speak up when they encounter any unsafe act or practice, as well as leveraging technology to digitalise Health, Safety and Environment (HSE) processes.



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¹ External revenue from cross-business unit collaboration is an internal management metric that includes share of economic benefits from joint ventures, associates and certain investments.

Chairman's Statement

Employee Engagement

84%

Keppel's engagement score in the 2022 Employee Engagement Survey, 4% higher than Mercer's global average.

Sadly, despite our best efforts, Keppel O&M suffered three fatalities in two separate incidents at its Singapore yard. We have investigated the incidents and put in place measures to prevent recurrence.

Governance is a key aspect of running our business responsibly and we are focused on enhancing corporate governance, as well as compliance and risk management. As part of the Board's commitment to achieve a good balance of skills, knowledge, experience as well as diversity among directors, we welcomed Mr Olivier Blum and Mr Jimmy Ng as Independent Directors on the Board with effect from May 2022. Olivier is the Executive Vice-President of Schneider Electric's Energy Management Business, and was previously Chief Strategy & Sustainability Officer of the company, while Jimmy is the Group Chief Information Officer, as well as Head of Group Technology

& Operations at DBS Bank. Olivier and Jimmy bring to the Board of Keppel their wealth of experience and expertise – for Olivier, in running companies sustainably and driving sustainability-as-a-business on a global scale, and for Jimmy, digitalisation as a corporate strategy – and help ensure that we have access to the best talent as we drive the Group's strategy.

Strong human capital management is critical to a company's success. Our workforce remained highly engaged, with an engagement score of 84% in the 2022 Employee Engagement Survey, 4% higher than Mercer's global average. We continued to invest in training and development, strengthening succession planning and deepening staff engagement. In 2022, our workforce achieved an average of more than 24 hours of training per person, higher than our target of 20 hours.

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We continued to advance our safety journey, including encouraging front-line staff to speak up when they encounter any unsafe act or practice, as well as leveraging technology to digitalise Health, Safety and Environment processes.

We are committed to fair employment and have also enhanced efforts to improve the overall well-being of employees, including both physical and mental health. To help employees cope with rising prices, we implemented a one-off cost of living subsidy for more junior staff, and also enhanced the flexible benefits programme for junior to mid-level staff with effect from January 2023.

Keppel believes that when our communities thrive, we thrive. We contribute to society in different ways, through charitable donations, community investments, commercial initiatives, as well as staff volunteerism. In 2022, we contributed \$4.3 million to worthy causes, including donations made through Keppel Care Foundation, the Group's philanthropic arm. New programmes unveiled in 2022 include a \$1 million donation to Dementia Singapore to be disbursed over three years, as well as partnerships with different stakeholders to support sustainability-related education for the public and school students. Beyond financial support,



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Keppel's staff also contributed more than 14,000 hours of volunteer service globally. In China, Keppel's staff collaborated with local organisations to deliver food items to vulnerable communities during the COVID-19 related lockdowns, while in Vietnam, we launched a Living Well programme to provide clean drinking water for about 20,000 villagers.

In recognition of our commitment to corporate governance and sustainability, Keppel was conferred the Singapore Corporate Governance award at the Securities Investors Association (Singapore)'s Investors' Choice Awards 2022, for a second year running. We retained the highest MSCI AAA ESG rating, which we have held since early-2020, and were also admitted to the DJSI World and Asia Pacific indices. We will continue to enhance corporate governance and sustainability practices, and aspire to even higher standards.

Acknowledgements

I would like to express my deep appreciation to fellow directors for their dedication and wise counsel, which helped Keppel to navigate the uncertain global environment and deliver strong results. I am also grateful to our shareholders, partners and other stakeholders for their confidence and support for Keppel.

In addition, I would like to express my appreciation to Keppelites around the world for their many contributions to the Company. As the combination of Keppel O&M and Sembcorp Marine has just been completed on 28 February 2023, I would also like to take this opportunity to thank the former directors, management and staff of Keppel O&M for their valuable contributions to the Group over the years.

2023 is an important year for Keppel as we execute the next stage of the Company's transformation and growth to be a leading global asset manager and operator, providing solutions for a cleaner and better world. We will continue to work together with all stakeholders to create a sustainable future together.

Yours sincerely,

Danny Teoh
Chairman
2 March 2023