

Accelerating Vision 2030

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Q How would you sum up the past year for Keppel?

A 2022 was a transformational and productive year for Keppel on several counts.

First, we posted a robust set of results despite challenging macro conditions, bolstered by stronger earnings in Asset Management and Energy & Environment. The Group's recurring income also more than doubled year on year, contributing to 67% of our net profit for FY 2022, excluding discontinued operations.

Our Energy & Environment segment saw a marked turnaround, driven mainly by Keppel Infrastructure's strong performance. Asset Management also recorded an improvement in earnings, higher fee income, as well as better operating performance across assets under the REITs and business trust.

Urban Development's performance was impacted by headwinds faced in China,

though we are seeing improvements in China following the exit from its zero-COVID stance, as well as the introduction of more supportive policies that benefit the real estate sector. In Vietnam, while there have been delays in the approvals for new launches, market fundamentals remain strong, as seen from the strong demand for new homes launched.

Our Connectivity segment also did well, with M1 advancing its transformation into a cloud native connectivity platform. M1's profits grew significantly, with the recovery in roaming, subscriber growth and higher revenue from its expanding enterprise business. Our integrated data centre business also continued to grow its portfolio, leveraging our asset-light model.

Importantly, we have made very good progress in executing Vision 2030, simplifying and focusing Keppel's business, with the successful



Loh Chin Hua, Chief Executive Officer

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divestment of Keppel Logistics¹ and Keppel Offshore & Marine (Keppel O&M), as well as the resolution of our legacy rigs and associated receivables.

We will accelerate Keppel's evolution into a global asset manager with strong operating capabilities, focused on creating sustainability-related solutions, which are seeing strong demand amidst the growing global focus on sustainable development and decarbonisation.

Q Can you share more about Keppel's transformation journey to be a global asset manager and operator? What are the plans for 2023 and beyond?

A Throughout our growth journey, the Board and management of Keppel have regularly transformed the Company to ensure its competitiveness and relevance in a fast-changing world.

In the past decade, we embarked on a series of privatisations of our listed operating units starting with Keppel Land in 2015, followed by M1 and Keppel Telecommunications & Transportation. These allowed us to break down the silos, simplify our businesses and align them to the Group's collective goals as we forged a OneKeppel culture with all parts executing on a common strategy.

In line with our efforts to refocus and streamline the Group, we spun off our logistics and the offshore & marine (O&M) businesses, and are doing less of residential development for sale. We are moving away from businesses with lumpy earnings, which are often valued at discounts to book value, towards those with recurring income that attract high multiples. To be clear, logistics, O&M and residential development are good businesses, but they may not be the

best fit with Keppel's Vision 2030, which sees us focusing on growing recurring income and building scalable businesses that fully leverage our asset-light model.

Going forward, we will focus on fast-tracking Keppel's transformation from a conglomerate of diverse parts into an integrated business – one that harnesses the Group's strengths to invest for the good of current and future generations, while addressing the pressing challenges of climate change.

As we advance our ambition to be a leading global asset manager, our operating platforms in Energy & Environment, Urban Development and Connectivity will remain important pillars and differentiators for the Group. We will continue to strengthen our engineering capabilities and technical know-how, as well as drive innovation and customer centricity.

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

Interview with the CEO

This unique combination of attributes and capabilities is what investors appreciate when they invest in Keppel and the private funds that we manage. As a trusted investor, which also has strong operating capabilities in sustainability-related solutions, Keppel is a compelling partner for our investors, customers and other stakeholders.

Q Can you talk about the progress of integration in the Group?

A We have made good progress in realising synergies between Keppel's operating units, creating and capturing value through our asset-light model.

As an example, our integrated data centre business, through collaboration between Keppel Data Centres and the private funds and REIT managed by Keppel Capital, generated total earnings of \$66 million for the Group in FY 2022. Today, most of the new projects approved by the Group involve cross-business unit collaboration, compared to only a small proportion just a few years ago.

Another strong case-in-point was the \$2.8 billion worth of energy & environment and sustainable urban

renewal-related investments announced in 2022, jointly undertaken by Keppel together with the private funds and/or business trust managed by Keppel Capital. This allows us to make large investments in our focus areas without pushing up our gearing significantly.

To accelerate the integration of our value chains, we established the One Real Estate, One Infrastructure and One Data Centre teams, comprising personnel from across the Group's operating units to evaluate and execute on opportunities in their respective areas.

As we forge ahead with Vision 2030, and run our business horizontally, we expect to see overhead costs reduced and Keppel become even more nimble in seizing opportunities. Working as OneKeppel, we will be able to achieve more with less.

By tapping on co-investment capital, as we have done through the sizeable joint investments undertaken by the Group in 2022, we can do much more than what our balance sheet alone allows.

Q Keppel's recurring income more than doubled year on year to \$560 million in FY 2022. What are Keppel's plans to grow recurring income further?

A A key tenet and strategy of Vision 2030 is to pivot away from lumpy profits in the orderbook and property development business and focus on expanding recurring income. This is shaping up well for us, as can be seen from our 2022 results, where recurring income improved significantly.

The explosion of data is fuelling the servitisation of businesses, where industries are moving from traditional client interactions to more connected, long-term customer relationships that are highly personalised. Digital technologies such as IoT, generative artificial intelligence, machine learning, and the host of 5G-enabled wireless communications are altering the playing field irrevocably. To succeed in this fast-changing digital economy, businesses need to fully leverage and exploit real-time data generated within their ecosystems, to analyse and optimise the use of their assets.

In many ways, these are what Keppel has been striving to achieve through the evolution of our operating units as well as our digitalisation efforts. Whether it is Keppel Land's shift to be an asset-light provider of urban space solutions, with a focus on providing Real Estate-as-a-Service; Keppel Infrastructure's offering of Energy-as-a-Service (EaaS), or M1's transformation from a traditional telco into a digital cloud-native platform – these are all examples of Keppel's pivot towards innovative, customer-centric service models.

The servitisation of our business is bolstered by our asset-light strategy and ability to tap third-party funds for growth. Taken together, these initiatives will allow the Group to change the nature of our earnings and significantly expand our base of recurring fee income.



Increasing digitalisation, including cloud computing, artificial intelligence and the metaverse, is generating demand for the Group's connectivity solutions.

Q Now that Keppel is very close to its \$5 billion asset monetisation target, will you set a new target?

A Asset monetisation is a very key part of our asset-light strategy, providing us with the wherewithal to pursue our new growth engines and initiatives under Vision 2030. As I have said before, we will not stop once we cross our \$5 billion target in 2023 but will continue to unlock capital which can be redeployed to seize new opportunities.

We said in June 2020 that the Group had identified \$17.5 billion of monetisable assets, based on carrying value. These did not include our operating platforms, such as Keppel O&M, from which we are unlocking a total realisable value of \$9.4 billion, including our Asset Co vendor notes and out-of-scope assets. Our goal is to eventually activate all \$17.5 billion of our monetisable assets, which would not only free up space on our balance sheet, but enable us to pursue growth initiatives as well as reward our shareholders.

Q What are the plans for the legacy rigs in Asset Co and the out-of-scope assets? Are you optimistic about realising value from these assets in the near term?

A Amidst the strengthening offshore rig market, we are optimistic that Asset Co will be able to substantially monetise the legacy rigs and their associated receivables over the next few years. We will likewise be looking out for opportunities to monetise the approximately \$300 million worth of out-of-scope assets, which are non-core to Keppel.

Thus far, we have made good progress in putting our legacy rigs to use. By the end of 2022, all the available KFELS B Class jackup rigs in the fleet have secured bareboat charters, while there have been active enquiries for the remaining legacy rigs.

We are also hopeful that with continuing improvements in the rig market, the monetisation of the legacy rigs can take place sooner, leading to an earlier repayment of the vendor notes issued by Asset Co to Keppel. The Asset Co vendor notes come with a coupon rate of 4% that translates into approximately \$170 million of interest income per annum. We will also benefit from a redemption premium equal to 5% of the outstanding principal amount if and when the vendor notes are redeemed.



Keppel Infrastructure has been bolstering its EaaS offerings with energy optimisation and analytics, and other solutions.

Q How does Keppel look at capital allocation? Which areas will receive more focus moving forward, as you grow Keppel's AUM?

A We are exploring many exciting investment opportunities, as we continue to grow Keppel's business in line with Vision 2030. Given Keppel's track record and capabilities, we are well placed to seize opportunities in renewables, decarbonisation solutions, sustainable urban renewal and connectivity, which are supported by macro trends such as decarbonisation, digitalisation and the increasing global focus on climate action.

We have set an ambitious target to grow our current \$50 billion in assets under management to reach \$200 billion by 2030. So when we think of capital allocation, we will not just be investing in areas that we want to grow in per se, but also areas that global investors would like to be in. These would include assets and platforms that provide solutions which help our customers on their digitalisation and net zero journeys.

This is where asset management has a key role to play in helping us achieve our objectives and scale up our growth engines. By tapping on co-investment capital from Keppel Capital's private investors, or even the REITs and business trust, as we have done

through the sizeable joint investments undertaken by the Group in 2022, we can do much more than what our balance sheet alone allows.

Q Keppel is making sustainability a business. Can you talk about the Company's developments in the areas of renewables, clean energy and decarbonisation solutions?

A Over the past year, we have made bold strides in expanding our solutions that contribute to sustainable development, building on the Group's strong domain knowledge and operational expertise.

We achieved many 'firsts', including commencing Singapore's first renewable energy import; the development of the 600 MW Keppel Sakra Cogen Plant, which will be Singapore's first hydrogen-ready and most advanced, high-efficiency combined cycle gas turbine power plant; and the opening of *Keppel Infrastructure @ Changi*, Singapore's first Green Mark Platinum Positive Energy building under the new and more stringent Green Mark scheme. We are also gearing up for the low-carbon economy through exploring green ammonia and green hydrogen solutions with international partners.

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energy storage, cooling, and electric vehicle charging solutions. Such services offer our customers a tangible and practical pathway to decarbonisation while minimising upfront costs, thus expanding the potential for deployment of low-carbon technologies. Since Keppel Infrastructure went to market with its end-to-end EaaS offerings in late 2021, we have grown our cooling capacity by 17%. The new EaaS contracts secured have a weighted average expiry of 10 years, and contribute to expanding our recurring income.

We are positioning ourselves to capture the growing demand for sustainable infrastructure in Singapore and the region, with the launch of our flagship Keppel Core Infrastructure Fund in 2022 with a target size of US\$2.5 billion. We will also be launching the Keppel Asia Infrastructure Fund II, following the success of Fund I, which has been fully deployed with six quality assets. Through these efforts, Keppel will be able to contribute to expediting the world's energy transition and decarbonisation efforts.

Q 2022 was a challenging year for the China market. What is your outlook for this key market in 2023?

A Deleveraging policies, coupled with the COVID-19 lockdowns, affected China's economy over the past year. Nevertheless, our Urban Development business performed creditably, contributing a total of \$282 million to the Group's net profit in FY 2022.

Our asset monetisation efforts in China also remained healthy with the divestment of two projects in Shanghai, unlocking some \$347 million of capital.

As China's reopening from COVID-19 restrictions continues, many economists expect the accelerated recovery of the Chinese economy, underpinned by stronger domestic demand and higher GDP growth. In the first two months of 2023, Keppel Land has already seen more positive signs, including an improvement in enquiries and home sales.

The Chinese authorities have also announced constructive policies such as allowing developers more access to financing and relaxing home ownership regulations. As market conditions improve, we expect both home sales and asset monetisation to gain traction in 2023.

Q Which are some of the key opportunities that Keppel is positioning itself to capture in urban space solutions?

A Building on Keppel's strong track record in the real estate business across key cities in Asia, we see opportunities to offer Real Estate-as-a-Service to enhance our relevance in a world characterised by flexible work arrangements, climate action and where digitalisation is redefining the built environment. We have identified sustainable urban renewal (SUR) and senior living as key market segments where Keppel is well placed to compete, and which our investors find attractive.

A sizeable share of real estate development over the next decade is expected to be based on retrofitting and repurposing existing buildings, which are greener, less costly and faster than new construction, and contribute to the circular economy. By incorporating smart and sustainable features into retrofitted buildings, we can also help enhance the assets' performance and value.

The transformation of the 20-year-old Keppel Bay Tower into Singapore's first Green Mark Platinum (Zero Energy) commercial building is a good example of SUR. Keppel Land is also expanding into the region where there are many opportunities to offer its SUR solutions in key cities such as Seoul, where it jointly acquired an office building with Keppel Capital in December. To advance our growth in this area, we launched our Keppel Sustainable Urban Renewal Fund with a target size of US\$2 billion in 2022.

The senior living sector is another significant growth market, underpinned by longer life expectancies and rising affluence. We are seeing opportunities across mature markets such as the US where Keppel is already present through our investment in Watermark Retirement Communities, as well as emerging ones in Asia such as China. In 2022, we embarked on our first dedicated senior living facility in Nanjing, China, which will offer care capabilities and around 400 beds. This will be a showpiece of Keppel's expertise and can serve as a launchpad for expansion into other markets in China and beyond.

Q Can you elaborate on the opportunities that Keppel sees in connectivity solutions?

A In the age of rapid digitalisation, the real game-changers are not smart assets and solutions per se, but smart, connected assets and solutions. At Keppel, we see ourselves playing a pivotal role in contributing to the digital revolution, through our end-to-end solutions ranging from state-of-the-art infrastructure such as subsea cables and data centres, to 5G network and technologies, which will create value for both enterprises and consumers.

Over the past few years, M1 has made a huge leap in its transformation from a traditional telco into a cloud native connectivity platform. M1 is expanding its enterprise solutions and developing 5G business applications to capture

Q What progress has Keppel made in its journey as a sustainable company?

A We made significant progress in our sustainability focus in 2022, with the establishment of a Board Sustainability and Safety Committee, and appointment of a Chief Sustainability Officer. Today, sustainability and climate change are topics regularly discussed at Board and management meetings, and guide the Company's strategy and risk management.

We continued to lower our Scope 1 and 2 carbon emissions in line with our net zero target and expand our tracking of Scope 3 emissions. We have set a target for 50% of electricity usage in our operations to be from renewable energy sources by 2025, with a view to reaching 100% by 2030. We are continuing our efforts to conserve water and reduce waste, and have also sharpened our focus on

shareholders. We have in recent years endeavoured to pay out about 50-60% of our earnings. The final cash dividend of 18 cents, together with the interim dividend of 15 cents, make up a total of 33 cents for FY 2022, or about 63% of our earnings.

As a Group, we will continue investing for growth. I am confident that as we execute Vision 2030, we will have sufficient capital to ramp up our growth engines and also reward our shareholders. As the Group's recurring income increases, it will give us greater confidence to pay out more of our earnings as dividends.

Q How are you preparing people to drive the next phase of Keppel's growth?

A In my time as CEO of Keppel, I have seen how Keppelites dug deep to resolve difficult challenges and engineer better outcomes than what one might have expected.

We are making sustainability our business, with many new green initiatives during the year.

new opportunities. In Singapore, M1 has achieved more than 95% outdoor coverage in its 5G standalone network rollout. As M1 migrates customers to its new cloud native digital platform, which allows subscribers to enjoy its new 5G plans, and cloud services such as cloud gaming, among others, it will be able to improve customer acquisition and lower its cost to serve.

In the data centre space, we continue to drive the design and development of more energy-efficient and sustainable assets. We are presently working on our Floating Data Centre Module, and also collaborating with other partners to study, inter alia, the feasibility of importing clean energy to power our data centres in Singapore.

Meanwhile, we are making good progress with the Bifrost Cable System, which is expected to be ready for service in 2024. When fully commissioned, it will be the largest capacity high-speed transmission cable across the Pacific Ocean.

Looking ahead, we see the trend of increasing digitalisation, including cloud computing, artificial intelligence and the metaverse, generating even further demand for the Group's connectivity solutions.

biodiversity. Beyond environmental factors, we are also strengthening our performance in the governance and social aspects of sustainability, such as enhancing Board diversity, risk management and employee well-being, as well as contributing to the community.

Very importantly, we are making sustainability our business, with many new green initiatives during the year, such as in renewables and sustainable urban renewal, which I mentioned earlier. The Group's portfolio of renewable energy assets has more than doubled to 2.6 GW¹ at the end of 2022, as we progress towards our target of 7 GW by 2030.

We are encouraged to see our sustainability efforts recognised in international indices such as MSCI and DJSI, and will continue to do our part to contribute to a sustainable future.

Q Keppel has been paying out a total cash dividend of 33.0 cents per share for the past two years. Is this a sustainable level moving forward?

A While we do not have a specific dividend policy, the Board and the management are cognisant that dividends are an important consideration for our

Keppel has in turn strived to make the Company a great place for employees to fulfil their individual aspirations.

As we enter the next phase of our evolution, we have redefined who Keppel is and how we create value, namely, "A Leading Global Asset Manager and Operator, Creating Solutions for a Sustainable Future." The first part of the statement describes the business we run, while the latter defines our purpose.

To ride the next wave, we will need Keppelites with the right mindsets and skillsets. We will continue to invest in our people, training them to remain relevant in a changing landscape, while bolstering the Company's capabilities in asset management as well as our operating platforms.

I am heartened to see that Keppelites are highly engaged, with a score of 84% in the 2022 Employee Engagement Survey, 4% higher than Mercer's global average. 88% of Keppelites also indicated that they are proud to work for Keppel.

I am confident that, working together as OneKeppel, and supported by highly energised employees, Keppel can achieve our Vision 2030 goals by 2025.

¹ On a gross basis, including projects under development.