

# Scenario Planning

We are building a future-ready company, identifying risks and opportunities as we execute Keppel's Vision 2030 plans.

## Planning for an Uncertain World

Amidst an uncertain global environment characterised by heightened geopolitical tensions, slowing economic growth, financial volatility and increasingly frequent extreme climate events, Keppel conducted a scenario planning exercise in 3Q 2022 to test and enhance the resilience of Keppel's Vision 2030 strategy.

The scenario planning exercise, conducted based on an established scenario planning methodology, involved Keppel Corporation's senior management, as well as the leadership teams in the different business units. The scenarios as well as the strategic responses to the scenarios were then presented and discussed at Keppel Corporation's Board Strategy Offsite in end-September 2022.

## Three Alternative Scenarios

A set of three scenarios was developed using an inductive methodology. At a broad level, each scenario was defined in terms of a range of outcomes in the 2030 timeframe along three primary dimensions: (i) the geopolitical and economic order; (ii) the climate change response and energy transition landscape; and (iii) the global financial environment.

In terms of the geopolitical dimension, the scenarios envisaged a range of plausible international political configurations and dynamics ranging from a deeply decoupled and conflictual world, to a multipolar environment characterised by greater stability and more balanced global growth. Beyond the ongoing conflict in Ukraine,

the scenarios also explored the possible implications of an escalation in Cross-Strait tensions. In terms of the global financial environment dimension, the scenarios depicted a range of alternative levels and geographic patterns of economic growth, as well as varying degrees of financial system stability, in particular with respect to monetary policy and its various potential effects.

On climate change and the energy transition, the scenarios considered a range of potential global warming trajectories, alternative speeds of the energy transition, the nature of the global response to climate change, as well as varying degrees and forms of climate-related physical and transition risks. One of the three scenarios was based on the relatively benign 1.5°C global warming trajectory, corresponding to the range of potential temperature changes by 2081-2100 in SSP1-2.6<sup>1</sup>. To ensure rigorous testing of the resilience of the Group's strategy and risk management, the other two scenarios were built on 3.5°C and 4.0°C global warming trajectories<sup>2</sup>, which envisaged significantly higher climate risks, and more frequent and extreme climate-related events. In terms of the global response to climate change, the scenarios explored a range of possibilities, from unified global mitigation efforts to disparate adaptation-centred efforts.

While the full impacts of the scenarios, especially those related to climate change, may manifest themselves more clearly over a longer period, this exercise was focused on developing a set of plausible scenarios

<sup>1</sup> IPCC AR6 WGII Technical Summary.

<sup>2</sup> The global warming trajectories in these two scenarios are consistent with the SSP3-7.0 and SSP5-8.5 scenarios respectively.



Keppel is well placed to provide solutions to help its customers and stakeholders on their journeys to net zero.

that represent a range of future operating conditions that Keppel may face over the next 5-10 years, and which would be particularly relevant to Keppel as the Group executes its Vision 2030. The scenarios did not assign probabilities to specific future conditions, but rather served to generate inputs to the Board and management when considering the Company's strategy, while also identifying risks and opportunities.

**Responding to Uncertainty**

Beyond specific responses to individual scenarios, the Group also identified and considered a range of 'no regret' actions that would be likely to generate the greatest expected strategic value across all three scenarios, in order to strengthen the future-readiness of the group strategy. These robust actions included, for example, raising the Group's fund-raising capabilities,

anticipatory regulatory awareness, and strengthening the Group's networks of investors across its targeted markets, in line with Keppel's Vision 2030 plans to be a leading global asset manager and operator. Through the review of alternative plausible geopolitical scenarios, the Group also discussed its long-term human resource requirements and the importance of strengthening talent with relevant market knowledge in different geographies.

On the climate change and energy transition front, across all three scenarios, it was envisaged that there would be growing demand for renewables, clean energy, decarbonisation solutions and climate-resilient infrastructure – sectors which Keppel already operates in and which represent considerable growth opportunities for the Group. The importance

of incorporating climate-related risk assessment in future strategies was emphasised across scenarios, whether in terms of decarbonising the Group's operations, assessing specific acquisition targets, or evaluating the commitment and capacity of local governments to address physical climate risks when making long-term investment decisions. Importantly, Keppel also discussed how the Group could leverage its unique strengths and track record to offer solutions to help its customers and stakeholders on their journeys to net zero.

Beyond the initial scenario analysis exercise, a set of qualitative and quantitative signposts was also identified to facilitate the monitoring of future operating conditions, thus helping the Company to take suitable anticipatory actions and adjust its strategy in response to the evolving landscape.

