

2022

NEW YEAR MESSAGE

FROM THE CEO



Dear Keppelites,

2021 saw the global economy gradually emerge from the shadows of COVID-19, supported by the largest and swiftest vaccine rollout in history. The IMF has projected global economic growth to be 5.9% for 2021, and 4.9% for 2022, though geopolitical tensions, supply disruptions, inflation and rising energy prices will continue to threaten the fragile recovery. The emergence of the highly transmissible Omicron strain and the resultant flurry of tightening measures around the world remind us that the coronavirus has not been defeated. We would need to co-exist with COVID-19 for some time as it becomes increasingly endemic, requiring us to adjust our behaviours and ways of working to ensure that we continue operating efficiently through its ebbs and flows.

Despite volatile market conditions and many operational challenges imposed by COVID-19, 2021 was a productive and transformational year for Keppel.

Keppel delivered strong performance in the first nine months of 2021. Our net profit for 9M 2021 was a sharp reversal from the net loss in 9M 2020, with all segments performing better year-on-year¹. Significantly, we recorded marked improvements in earnings not only when compared to 9M 2020, but even to the same period in pre-COVID 2019, excluding revaluations, impairments and divestments across the three years. Keppel is therefore not just recovering from the pandemic, but emerging stronger than before.

Our robust performance was underpinned by Keppelites' strong execution across business units, as well as the continuing delivery on our Vision 2030 strategy, as we accelerated our business transformation and asset monetisation programme, and sharpened our focus on sustainability.

Accelerating Business Transformation

During the year, we unveiled a series of initiatives to transform and grow as one integrated business. Importantly, we are tapping third party capital to grow in line with our asset-light business model, and creating value by collaborating as OneKeppel, to harness the synergies across the Group.

To deepen collaboration in our Vision 2030 focus areas, we have established OneKeppel data centre and infrastructure teams to take a "cradle to maturity" approach in evaluating business opportunities across the projects' development stages, whether they are investments by our funds, operating entities, listed REITs or business trust. Other projects which we are working on, such as energy efficient floating data centre parks and climate resilient nearshore developments or "floating cities", similarly harness diverse capabilities from across the Group, allowing us to deliver innovative solutions that differentiate us from competitors.



Keppel is seizing opportunities in renewables, clean energy and decarbonisation solutions

A key milestone last year was the signing of MOUs on the proposed combination of Keppel O&M and Sembcorp Marine, and resolution of Keppel O&M's legacy rigs. The proposed combination was not an easy decision for Keppel, given our long association with the offshore & marine business; but it was an important and necessary strategic move amidst the global energy transition and structural challenges facing the sector. Discussions with Sembcorp Marine are currently progressing steadily, and we will provide an update at the Full Year 2021 results briefing later this month.

Keppel's bid to acquire SPH's non-media portfolio via a scheme of arrangement was strongly endorsed at Keppel's Extraordinary General Meeting in December, and we are grateful to shareholders for their confidence and support. We have explained the value and synergies that can be derived from the proposed acquisition, but also emphasised that we will take a disciplined approach and not acquire the portfolio at any price. We have put our best foot forward, and will respect the outcome of this process. Apart from the SPH portfolio, we are exploring several other exciting M&A opportunities, as we continue to grow Keppel's business in line with Vision 2030.

Our business units have also been working hard and transforming to stay ahead of the competition. Keppel O&M won close to S\$3.5 billion in new orders in 2021, as it continued its organic transformation and cost management efforts. Keppel Infrastructure has reorganised its business to focus on renewables, clean energy, decarbonisation, energy efficiency and environmental solutions, and launched new initiatives such as the provision of Energy-as-a-Service and electric vehicle charging.

Keppel Land is pivoting its business model to be more asset light and grow its recurring income, and will be seizing opportunities in sustainable urban renewal and senior living. Keppel T&T is growing our data centre business, and has also expanded into the adjacent subsea cable business; while M1 continues its 5G standalone network rollout and digital transformation. Keppel Capital raised more than S\$3 billion in equity and completed around S\$5.6 billion in acquisitions and divestments during the year. Amidst growing international concerns about inflation, there is strong demand from investors for the real assets that we manage, which can serve as effective inflation hedges.

Good Progress in Asset Monetisation

We have made very good progress in our asset monetisation programme since it was first announced in September 2020. We have announced about S\$2.9 billion in asset monetisation to date, and received about S\$1.6 billion of this in cash at the end of September 2021. With the good progress to date, we are on track to exceed our S\$5 billion target by the end of 2023.

Our asset monetisation programme is not one-off, but part of Keppel's strategy to be more asset-light. Going forward, asset turns will be a regular feature of Keppel's business model and a key part of our eco-system for value creation. The significant capital unlocked would allow us to both fuel Keppel's growth plans, and reward our shareholders well.

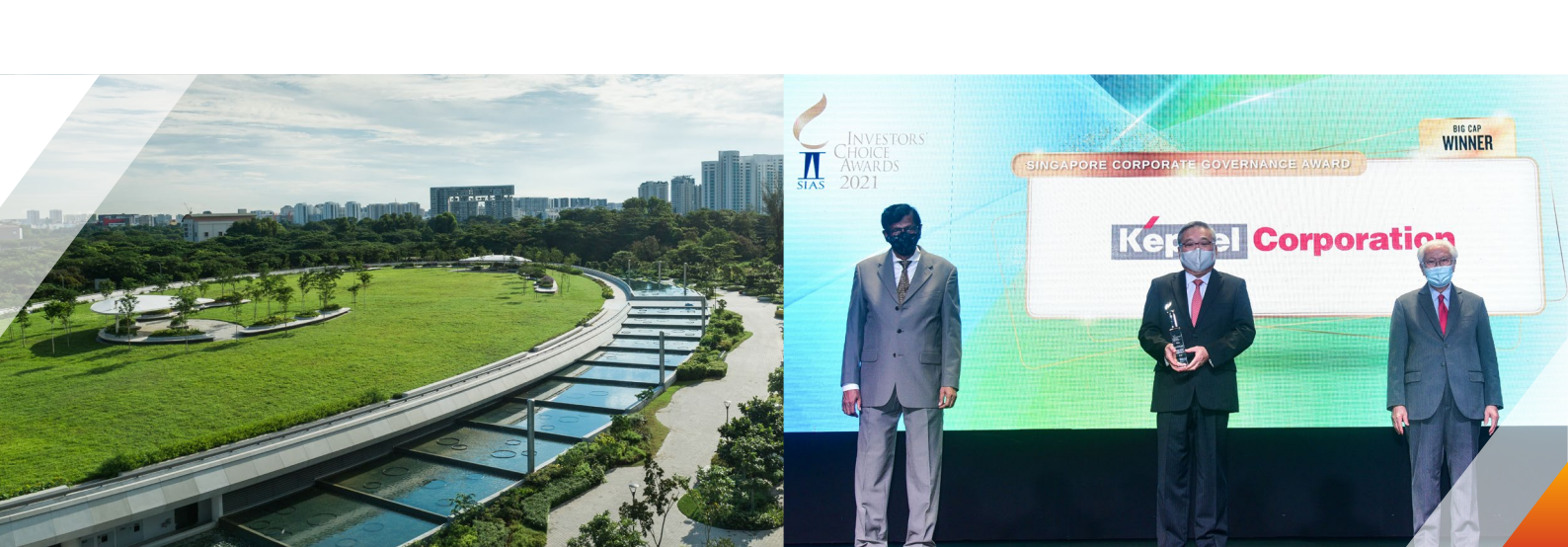
Sustainability at the Core of Strategy

We also made significant progress in our sustainability journey. For Keppel, this is both about running our business sustainably, and making sustainability our business, by helping our customers contribute to a cleaner and greener world.

In October 2021, ahead of the United Nations Climate Change Conference (COP 26) in Glasgow, we announced our commitment to halve the Group's Scope 1 and 2 carbon emissions by 2030, compared to 2020 levels, and achieve net zero by 2050. Achieving this target would not be easy. It would require us to adopt a carbon-constrained mindset in how we look at our business, the M&A opportunities we explore, how we harness renewable energy and improve the energy efficiency of the assets we operate.

You would have seen that many of the Group's new business initiatives and R&D efforts involve sustainability-related themes, such as acquiring a majority stake in a leading solar energy platform together with co-investors, exploring the import of renewable energy from Laos to Singapore and the proposed development of supply infrastructure to bring liquefied hydrogen into Singapore to power Keppel's data centres, among others. The net zero commitments made by many governments around the world will create massive demand for renewables, clean energy and decarbonisation solutions. These are areas where Keppel has the relevant capabilities and track record, and where we can make a difference.

Health and safety are also key aspects of sustainability. I am pleased to share that in 2021, Keppel achieved our zero-fatality target for our global operations and saw improvements across our Total Recordable Injury, Accident Frequency and Accident Severity Rates. Beyond workplace safety, we have stepped up efforts to improve the overall well-being of employees, with a focus on mental health. This includes organising workshops and campaigns on mental wellness, as well as activities to promote health lifestyles, including the very popular Group-wide Steps Challenge, which saw Keppelites clocking more than 100 million steps in the month of June.



Left: The Keppel Marina East Desalination Plant, which was officially opened in February 2021, contributes to Singapore's water security
Right: Keppel was recognised for its commitment to corporate governance and sustainability

The market recognises Keppel's commitment to sustainability, and we are honoured to have won several prestigious awards last year, including the Singapore Corporate Governance Award (Big Cap) at the Securities Investors Association (Singapore) Investors' Choice Awards 2021, and Apex Winner at the Singapore Apex Corporate Sustainability Award 2021. Keppel Land's sustainability efforts were also recognised in GRESB 2021 and the Sustainable Business Awards Singapore 2021; while the Keppel Marina East Desalination Plant was named 'Desalination Plant of the Year' at the Global Water Awards 2021.

These accolades speak volumes of the dedicated and high-quality workforce at Keppel, innovating, collaborating with one another, and giving your best to fulfil the Company's purpose as a provider of solutions for sustainable urbanisation. I would like to thank Keppelites around the world for your contribution to the Company. Despite the disruptions caused by the pandemic, our workforces has remained highly engaged, with an engagement score of 84% in the 2021 Employee Engagement Survey, about 6% above Mercer's Singapore average, and 4% above Mercer's global average, while 88% of employees indicated that they are proud to work for Keppel. We will continue to deepen staff engagement and make Keppel a great place to work.

Building a Sustainable Future

As we start the new year, I call on all Keppelites to continue to focus on and further accelerate our execution of Vision 2030. In my conversations with investors, customers, government officials, community leaders, staff and other stakeholders, there has been a high degree of resonance with Keppel's vision. We have made a good start, and I am confident we can achieve most of our targets by 2025.

I see sustainability becoming an increasingly central part of our DNA and corporate identity. While there are debates about whether COP 26 was a glass half full or half empty, I am encouraged by the commitment to climate action exhibited by the international community at COP 26. As a responsible corporate citizen, Keppel will also do our part. The world seeks solutions to live more sustainably, to meet today's needs without compromising the ability of future generations to meet their needs. These are precisely the kinds of solutions that Keppel has been providing and which we plan to do even more of as part of Vision 2030. We are in the right place, at the right time. Let us work with our stakeholders to build a sustainable future together.

I wish you and your loved ones a happy new year and good health in 2022!

Yours sincerely,


LOH CHIN HUA
CEO
KEPPEL CORPORATION

Footnote:
1. Excluding the gain from the reclassification of Keppel Infrastructure Trust in 2020.