

# RISK MANAGEMENT

## WE UNDERTAKE ONLY APPROPRIATE AND WELL-CONSIDERED RISKS, CONSIDERING THEIR IMPACT TO OUR BUSINESS, STAKEHOLDERS, AND LONG-TERM CORPORATE SUSTAINABILITY.

Keppel adopts a balanced approach to risk management to optimise business returns while considering their holistic impact on corporate sustainability. Managing risks is an integral part of the way in which we develop and execute our business strategies. It is grounded in our operating principles and belief that a balanced and holistic risk-reward methodology is the best approach. This applies to all aspects of our business, and in particular, our commitment to environmental, social and governance issues, and our ability to deliver long-term value for our stakeholders.

Our Risk-Centric Culture and Enterprise Risk Management (ERM) Framework enable the Group to not only respond to the dynamic business environment and shifting business demands, but also seize new value-added opportunities.

### RISK-CENTRIC CULTURE

Mindsets and attitudes are key to effective risk management.

### ENTERPRISE RISK MANAGEMENT FRAMEWORK

Relevant and material risk issues are surfaced for discussion with the Board Risk Committee (BRC) and the Board to keep

them apprised in a timely manner. Through the BRC, the Board advises management in formulating and implementing the risk management framework, policies and guidelines.

The terms of reference for the BRC are disclosed on pages 100 and 101 of this report. The Board has defined three risk tolerance guiding principles for the Group which determines the nature and extent of the significant risks which the Board is willing to take in achieving strategic objectives.

These principles are:

1. Risk taken should be carefully evaluated, commensurate with rewards and be in line with the Group's core strengths and strategic objectives;
2. No risk arising from a single area of operation, investment or undertaking should be so huge as to endanger the entire Group; and
3. The Group does not condone safety breaches or lapses, non-compliance with laws and regulations, as well as acts such as fraud, bribery and corruption.

Keppel's risk governance framework, set out on pages 93 to 97 under Principle 9 (Risk Management and Internal Controls),

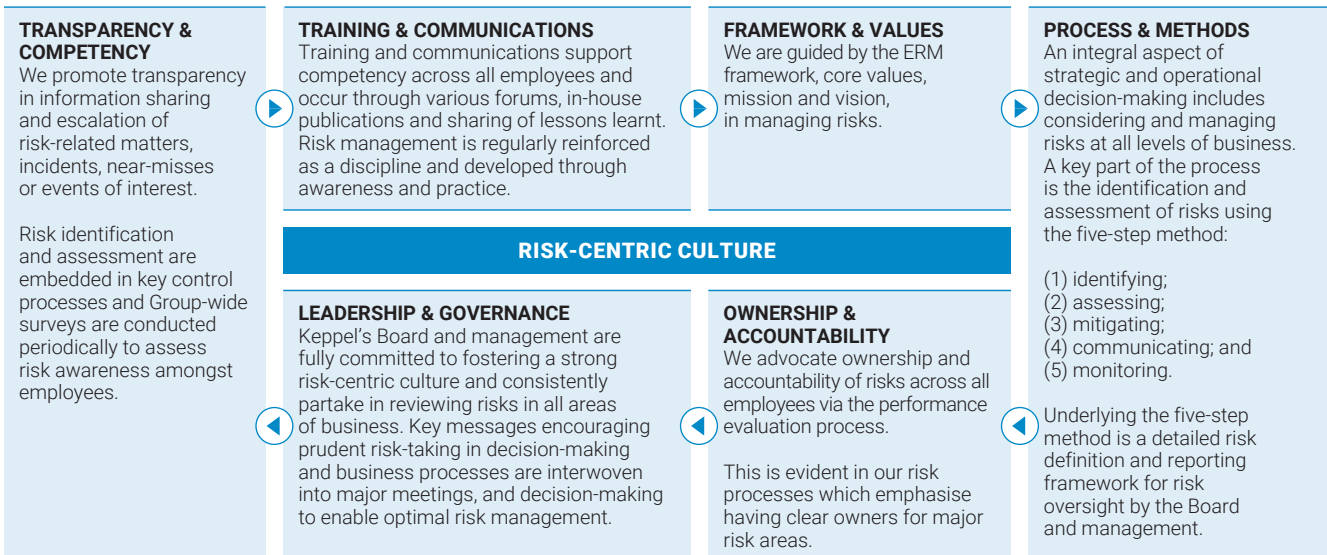
allows management and the Board to determine the adequacy and effectiveness of the Group's risk management system.

The Group is cognisant of the dynamic environment in which it operates. We constantly enhance the framework and systems where necessary, to ensure risk management remains an integral part of our daily decision-making process and operations.

Keppel's ERM framework, a component of Keppel's System of Management Controls, provides the Group with a systematic approach to identify and manage risks. It outlines the requirement for each business unit (BU) to recognise key risk areas affecting its operations and to classify the impact and likelihood of these risks in a register for prioritisation and management. The ERM framework also establishes the reporting structure, monitoring mechanisms, processes and tools used, as well as any policies, standards or limits to be applied in managing key risk areas.

Keppel's ERM framework is also constantly enhanced to ensure it remains relevant in our operating environment and where required, is tailored to the requirements of each BU. The framework takes reference from the Singapore Code of Corporate Governance, the COSO Enterprise Risk Management – Integrated Framework, ISO 22301:2019, ISO 31000:2018 and the Board Risk Committee Guide published by Singapore Institute of Directors.

Management and risk teams across BUs drive and coordinate Group-wide activities and initiatives. These are facilitated by



regular meetings to cascade risk policies or standards, and ensure that pertinent risks are identified, assessed and mitigated in a timely manner. Beyond operational activities, we continually improve our risk processes taking reference from the latest industry developments and best practices.

The key risks identified for FY 2021 encapsulate our existing business activities and the transformation and growth initiatives under Vision 2030. We are committed to addressing such risks in line with our philosophy of undertaking only appropriate and well-considered risks to optimise returns in a balanced and holistic manner, while consistently delivering sustainable long-term value to our stakeholders.

**STRATEGIC RISKS  
MARKET & COMPETITION**

A large part of the Group’s strategic risk includes market-driven forces, evolving competitive landscapes, changing customer demands and disruptive innovation. We remain vulnerable to other external factors including volatility in the global economy, implications of geopolitical developments, intense competition in core markets and disruptive technology. For example, the COVID-19 pandemic continues to impact the Group’s operations and business activities in nearly all of our key markets. Despite the many challenges faced by our businesses due to the pandemic, the Group has adapted and continued to operate resiliently in 2021. We adjusted our strategies and responses, and took pre-emptive mitigating actions as required.

During the year, the Board and management continued to oversee and coordinate the execution of Vision 2030. As the Group transforms and grows, we will continually refine and enhance our risk management policies and principles to support our business objectives.

**STRATEGIC VENTURES,  
INVESTMENTS & DIVESTMENTS**

We have an established process for evaluating investment and divestment decisions, including strategic ventures. We ensure that such endeavours are well monitored and aligned with the Group’s strategic intent, investment objectives and desired returns. Where required, we may recalibrate some strategies in response to the changing business environment.

Together with the Board, the Investment and Major Project Action Committee guides

the Group in this area to ensure that any risks taken are considered and controlled in a manner that exercises the spirit of enterprise and prudence, to earn the best risk-adjusted returns on invested capital across our businesses.

The evaluation of risks for strategic ventures involves rigorous due diligence, feasibility studies and sensitivity analyses of key assumptions and variables. Critical factors considered include alignment with the Group’s strategy, financial viability, country-specific political and regulatory developments, contractual risk implications, as well as past lessons learnt. The Group’s investment portfolios are constantly monitored to ensure that the performance of any such venture is on track to meet its strategic intent and returns.

**SUSTAINABILITY & CLIMATE CHANGE**

Sustainability and climate change encompass a broad range of key material issues, many of which have been identified and managed according to the Group’s ERM framework. Sustainability and climate-related risks and opportunities, both physical and transitional, are fundamental to the Group. The Group supports the Task Force on Climate-related Financial Disclosures and has worked towards incorporating its recommendations in our reporting framework. Details on sustainability-related material issues to the Group can be found on pages 28 to 33 of this report.

Under Vision 2030, we have placed sustainability at the core of our strategy. The Group’s Sustainability Risk Management Framework is integrated within our ERM framework (Figure 1) and guides the Group on the specific processes and methods applied in identifying, assessing and managing sustainability-related risks and opportunities. This covers climate change and environmental management considerations, as well as third-party-related risks from vendors and suppliers. As part of Sustainability Risk Management, we continually assess related risks and opportunities for the Group and strengthen our organisational capabilities in response. More details will be provided in our Sustainability Report 2021, which will be published in May 2022.

**CUSTOMER & STAKEHOLDER EXPERIENCE**

The Group operates in numerous geographies and has multiple customer touchpoints, including retail consumers in the telecommunications, retail electricity, e-commerce and gas businesses. Other stakeholders include our regulators, vendors, investors, partners, employees,

Figure 1



and the communities in which we operate. We place utmost importance on Customer and Stakeholder Experience which have direct bearing on trust and brand reputation. As such, we consistently monitor our products and services for safety, quality and reliability. We respect feedback and post-sales support, and are committed to uphold personal data privacy, product safety and related matters including our responsiveness to inputs from various stakeholders.

**HUMAN RESOURCES**

We place strong emphasis on attracting and developing a deep talent pool. To ensure we have the necessary skillsets to enable Keppel’s next phase of growth, we leverage both internal and external programmes. This includes nurturing employees, maintaining good industrial relations and fostering a conducive work environment. We are committed to strengthening succession planning and bench strength, as well as building and/or acquiring new organisational capabilities to drive growth, whilst maintaining our status as an employer of choice.

We emphasise the importance of having a risk-centric mindset across our talent development programmes, to inculcate the ability to identify and assess risks, develop and implement mitigating actions, as well as monitor residual risks in all employees. Keppel Leadership Institute helps to inculcate this mindset by embedding risk management in its key leadership courses.

### OPERATIONAL RISKS

#### PROJECT MANAGEMENT

Risk management is an integral part of all our projects from the time of initiation through to completion, to facilitate early detection and proactive management of operational risks. We adopt a systematic assessment and monitoring process to help manage key project risks. Special attention is given to technically challenging and high-value projects, including greenfield developments, the deployment of new technology and/or operations in new geographies.

During the project execution stage, we conduct reviews and quality assurance programmes to address issues such as cost, schedule and quality. Project Key Risk Indicators are used as early warning signals to determine if remedial actions are required and a Project Operational Set-up Guide detailing the key risk areas is made available to the BUs. We also conduct knowledge-sharing workshops to share best practices and lessons learnt across the Group. The above processes help to keep project delivery on time and within budget, without compromising on safety and quality, as well as regulatory and contractual obligations.

#### HEALTH, SAFETY & ENVIRONMENT

Safety is our core value and we are committed to upholding the highest standards of safety. This translates into constant vigilance to foster a strong health safety and environment (HSE) culture across the Group, particularly at the ground level where the risks are greatest.

With the ongoing COVID-19 pandemic, the Group continues to emphasise the importance of staff health by implementing appropriate measures and ensuring adherence to governmental regulations, so as to protect employees and other stakeholders from potential exposure. Efforts are made across BUs to manage staff movement and ensure relevant precautions are taken, such as the use of personal protective equipment and regular self-testing.

Our Zero Fatality Strategy aligns High Impact Risk Activities standards across our global operations. This is achieved by enhancing

the competency of employees performing safety-critical tasks, strengthening operational controls, establishing Root Cause Analysis investigation standards across the Group, as well as deploying more proactive and leading risk indicators/metrics to monitor HSE performance standards.

In 2021, the Group achieved our zero-fatality target and saw improvements across our Total Recordable Injury, Accident Frequency and Accident Severity Rates. We also achieved 18 awards at the Workplace Safety and Health (WSH) Awards during the year for exemplary safety performance, implementation of strong WSH management systems and efforts to create solutions that improve workplace safety.

Environmental management is also a critical area of focus for the Group and all major operating sites globally are closely monitored for compliance with relevant local or global environmental standards.

#### BUSINESS & OPERATIONAL PROCESSES

The Group is connected by common shared services and platforms which enable us to better manage our processes and costs, while enhancing efficiency, productivity, compliance and controls. We have adopted ISO standards and certifications in major business areas to standardise processes and align with industry best practices. In addition, procedures relating to defect management, operations, project control and supply chain management are continually refined to improve the quality of our deliverables.

Using a risk-based approach, we continue to improve digitalisation and automation, and take measured steps in optimising our processes. We also continually evaluate our procedures, policies and authority limits to ensure that they remain relevant.

#### BUSINESS CONTINUITY

We are committed to maintaining operational resilience with Business Continuity Management (BCM) standards that equip us with the capability to respond effectively to business disruptions. We are cognisant of major risks including natural disasters, fire, pandemics, terrorism and cyber attacks, as well as the failure of critical equipment/systems and industrial accidents.

The Group Incident Reporting and Crisis Management operating standard guides us in management and response, while our Business Continuity Plans address post-event mitigation. These are coordinated by management and the Group BCM Steering Committee, which provide sponsorship, direction and guidance to ensure a state

of constant readiness-to-respond.

We continually extend and strengthen our capabilities in responding to major incidents/crises with the aim of safeguarding our people, assets and stakeholders' interests, as well as Keppel's reputation.

With COVID-19 continuing to spread globally and the emergence of new variants, safeguarding the health and safety of our employees, customers and stakeholders remain a top priority. We continue to implement robust safe management measures in accordance with the relevant government regulations to minimise the spread of the disease. The measures implemented include split-team arrangements, regular inspections to ensure that safe management measures are maintained, health monitoring through Antigen Rapid Testing, regular disinfection of high-touch points and enhanced cleaning procedures.

We also track the vaccination status of our workforce and we strongly encourage those who are medically eligible to be vaccinated. By the end of 2021, the vast majority of Keppel's workforce globally had been fully vaccinated.

We also recognise cyber threats as a significant area of potential business disruption and maintain a Group Cyber Incident Response plan, which references local and international standards, and details our response and recovery protocols. Cyber Table Top Exercises are also conducted regularly to validate the effectiveness of these protocols.

We continue to monitor key disruptive threats to our business operations and adapt our plans to ensure operational resilience.

#### CYBER SECURITY, DATA PROTECTION AND TECHNOLOGY

We recognise the importance of cyber threats globally. Technology and data security risks, including outsourced services, are an integral part of the Group's business risk. We have established a technology governance structure and risk framework to address both general technology and data security controls, covering key areas such as cyber security, business disruption, theft/loss of confidential data and data integrity.

The Group has a Technology and Data Risk Management Programme which continuously monitors these risks. This involves the identification, assessment and management of critical technology and data assets according to leading industry guidelines such as those by the

Cyber Security Agency of Singapore and the US National Institute of Standards and Technology. The Programme seeks to improve technology and data security standards, and also to inculcate a culture of cyber awareness among employees.

In 2021, the Group conducted various initiatives to continually strengthen our technology security, governance and controls through the refinement and alignment of our policies, processes and systems, as well as the consolidation of servers and storage. We worked closely with industry professionals to define a cyber security governance structure and enhance our information technology policies and practices to ensure alignment with industry standards. Extensive training and assessment exercises were conducted throughout the year to heighten employees' overall awareness of technology and data threats. These include the safeguarding of critical corporate data assets against the loss of availability of critical systems to disruptions.

Relating to the integration and usage of technology, technical teams and experts from across the Group enable us to keep abreast of evolving technology. The response is either calibrated at each BU or managed strategically at the Group with the assistance of Keppel Technology and Innovation, which assists in driving Group-wide adoption of new technology and innovation. The Keppel Technology Advisory Panel, comprising leading academics, researchers, and advisors from a wide range of related industries, also regularly advises the Group in areas of technological innovation. More information on the Group's technology and innovation management can be found on pages 40 and 41 of this report.

## COMPLIANCE RISKS

### LAWS, REGULATIONS & COMPLIANCE

We closely monitor developments in relevant laws and regulations of countries where the Group operates to ensure compliance. We recognise that non-compliance with laws and regulations may have a detrimental effect on both the financials and reputation of Keppel. As such, we are regularly updated on changes to laws and regulations, to ensure that we can assess our exposures and risks effectively and expeditiously.

Significant risk areas, such as those relating to potential corruption, are regularly identified, surfaced to management and where applicable, further assessed by the Board. With respect to corruption, significant risk areas include areas where external agents are appointed for business development.

We continuously enhance our regulatory compliance policies and procedures to ensure that the Group maintains a high level of compliance and ethical standard in the way we conduct our business. We have zero tolerance for fraud, bribery, corruption and violation of laws and regulations.

In 2021, we continued to refine our regulatory compliance programme, update processes, deepen employee understanding, and ensure that compliance awareness and principles were well entrenched in all activities. We also recognise the importance of sanctions risks owing to the escalation of trade and other sanctions in many countries. More details of our Compliance programme can be found on pages 114 to 116 of this report.

## FINANCIAL RISKS

### FRAUD, MISSTATEMENT OF FINANCIAL STATEMENTS & DISCLOSURES

We maintain a strong emphasis on ensuring that financial statements are accurate and presented fairly in accordance with applicable financial reporting standards and frameworks.

Regular external and internal audits are conducted to provide assurance on the accuracy of financial statements and adequacy of the internal control framework supporting the statements. Where required, we leverage the expertise of external auditors in the interpretation of financial reporting standards and changes. We also conduct regular training and education programmes to enhance the capabilities of our finance managers.

Our system of internal controls is outlined in Keppel's System of Management Controls detailed in pages 94 and 95 of this report.

### FINANCIAL MANAGEMENT

Financial risk management relates to our ability to meet financial obligations and mitigate credit, liquidity, currency and interest rate risks. Details can be found on pages 190 to 201 of this report. In this area, policies and financial authority limits are reviewed regularly to incorporate changes in the operating and control environment.

We are focused on financial discipline and seek to deploy our capital to earn the best risk-adjusted returns for shareholders, while maintaining a strong balance sheet to seize new opportunities.

In 2021, as global economies continued to face pressure from the impact of COVID-19, the Group maintained a proactive approach to liquidity management.

Our procedures include the evaluation of counterparties and other related risks against pre-established internal guidelines. We conduct impact assessments and stress tests to gauge the Group's potential financial exposure to changing market situations. This enables informed decision making and the implementation of prompt mitigating actions. We also regularly monitor our asset concentration exposure in countries where we operate, to ensure that our portfolio of assets, investments and businesses is diversified against the systemic risks of operating in a specific geography.

## PROACTIVE MANAGEMENT OF RISKS & OPPORTUNITIES

Effective risk management is dynamic and encompasses the evaluation of both risks and opportunities. We recognise the need to effectively manage risk as an inherent part of business operations to optimise returns. We take a business-centric approach to managing risks, aligning business activities with risk considerations, and discussing issues in an open and transparent manner, enabling us to pursue optimal risk-return initiatives.

Our risk framework and processes are continually evolving, to ensure that they remain effective and relevant. This is highly dependent on our people and programmes, and the Group's ability to remain connected and vigilant to emerging risks and opportunities. Across the Group, we identify and review emerging risks at all levels throughout the year. Where necessary, these are further escalated and discussed at various governance committees to determine our action and/or response. We recognise that our systems and processes provide reasonable but not absolute assurance, and hence continually improve to ensure that our ability to manage and respond to risks and opportunities remains relevant and effective.