

SUSTAINABILITY FRAMEWORK

WE PLACE SUSTAINABILITY AT THE HEART OF OUR STRATEGY, DELIVERING SOLUTIONS FOR SUSTAINABLE URBANISATION WHILE CREATING ENDURING VALUE FOR OUR STAKEHOLDERS – THROUGH ENVIRONMENTAL STEWARDSHIP, RESPONSIBLE BUSINESS PRACTICES AND NURTURING OUR PEOPLE AND THE COMMUNITIES, WHEREVER WE OPERATE.

HOW WE CREATE VALUE

Our Strategy

Keppel is an eco-system of companies, collaborating to provide solutions for a fast-urbanising world. We regard sustainable urbanisation both as a corporate responsibility and a source of business opportunities. We are harnessing the Group's capabilities and proven track record in engineering, project development, operating and managing specialised assets, capital and asset management, and growing new businesses aligned with these competencies.

In 2019, Keppel Corporation's sustainability reporting framework¹ and material ESG factors were updated and refined, taking into account changes in the external environment as well as a comprehensive review of the Company's material ESG factors which was conducted from December 2018 to April 2019.

Reflecting our increased focus on environmental sustainability, the three strategic thrusts under the framework are (1) Environmental Stewardship; (2) Responsible Business; and (3) People and Community.



ENVIRONMENTAL STEWARDSHIP

We will do our part to combat climate change, and are committed to resource efficiency and reducing our environmental impact. We will avoid highly pollutive businesses such as coal-fired plants, emphasise renewables and cleaner energy such as gas, and channel our engineering capabilities as a solutions provider to contribute to the fight against climate change. We have set targets to reduce waste, water and carbon emissions intensity, and to invest in renewable energy generation.



RESPONSIBLE BUSINESS

The long-term sustainability of our business is driven at the highest level of the organisation through strong corporate governance and prudent risk management.

Through our integrated business model, we seek to improve both the magnitude and quality of our earnings with more recurring income, while enhancing returns through active capital recycling. We work closely with stakeholders in our value chain to enhance their sustainability performance, and continue to drive innovation and seize new opportunities.



PEOPLE AND COMMUNITY

People are the cornerstone of our businesses. We are committed to providing a safe and healthy workplace, as well as investing in training and developing our people to help them reach their full potential.

As a global citizen, Keppel believes that as communities thrive, we thrive. We are committed to uplifting communities wherever we operate, and supporting initiatives that protect the environment, promote education and care for the underprivileged, with the goal of building a sustainable future together.

» For more information, view our Sustainability Report on our website at www.keppcorp.com

GOVERNANCE

Management Structure

The key material ESG factors for Keppel Corporation have been identified and are regularly reviewed by Keppel Corporation's Board of Directors and management. The Board oversees the management and monitoring of these factors and takes them into consideration in the determination of the Company's strategic direction and policies.

The Group Sustainability Steering Committee, chaired by Keppel Corporation's Chief Executive Officer Loh Chin Hua and comprising senior management from across the Group, provides guidance on the Group's sustainability strategy while the Group Sustainability Working Committee, comprising discipline-specific working groups, executes, monitors and reports on the Group's efforts. Our management systems, policies and guidelines, including the Keppel Group Code of Conduct; Health, Safety and Environment Policy, and Supplier Code of Conduct, translate our principles into practice by setting standards for both our Company and those whom we work with.

Strong Governance Framework

Keppel is focused on upholding high standards of corporate governance. We have a strong and independent board, and are committed to good business ethics. We maintain clear, consistent and regular communication with shareholders.

Keppel's System of Management Controls Framework

The Framework outlines the Group's internal control and risk management processes and procedures. The Framework comprises three Lines of Defence towards ensuring the adequacy and effectiveness of the Group's system of internal controls and risk management.

» For more information, please refer to page 74.

We are committed to sustainability, and consider environmental, social and governance (ESG) issues in the determination of our strategy and policies.

Our approach to sustainability starts with our goal to run a profitable, safe and responsible business providing the best value proposition to customers,

making a difference to the wider community, and contributing to a sustainable future.

Keppel Corporation is a signatory of the United Nations (UN) Global Compact, and we are committed to the Compact's 10 universal principles.

MEASURING PERFORMANCE

Balanced Scorecard

The Company's balanced scorecard aligns compensation with corporate and individual performance, both in terms of financial and non-financial performance.

There are four scorecard areas that the Company has identified as key to measuring the performance of the Group:

1. Financial and Business Drivers;
2. Process;
3. Stakeholders; and
4. People.

Key sub-targets within each of the scorecard areas include key financial indicators, safety goals, risk management, compliance and controls measures, employee engagement, talent development and succession planning. Environmental sustainability has also been woven into the performance appraisal of senior management across the Group.

The four scorecard areas have been chosen because they support how the Group achieves its strategic objectives. The framework provides a link for staff to understand how they contribute to each area of the scorecard, and therefore to the Company's overall strategic goals. This is designed to achieve a consistent approach and understanding across the Group.

OUR STAKEHOLDERS



Employees



Customers



Governments



Shareholders & Investors



Suppliers



Local Communities

RECOGNITION



FTSE4Good Index



Highest triple-A rating in the MSCI ESG Ratings²



Euronext Vigeo World 120



iEdge SG ESG Leaders Index and iEdge SG ESG Transparency Index



Singapore Environmental Achievement Award in the Services category



Forbes' Global 2000 Top 250 World's Best Regarded Companies 2019



Forbes' Global 2000 Top 500 World's Best Employers 2019



Special Recognition in the Workforce category



18 Workplace Safety and Health Awards

Disclaimer Statement

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SUSTAINABILITY FRAMEWORK

WE ARE COMMITTED TO THE INTERNATIONAL SUSTAINABLE DEVELOPMENT AGENDA, AND WILL LEVERAGE COLLABORATION AND PARTNERSHIP TO SUPPORT THE ACHIEVEMENT OF THE SUSTAINABLE DEVELOPMENT GOALS (SDGs). WE HAVE INCORPORATED 10 OF THE SDGs AS A SUPPORTING FRAMEWORK TO GUIDE OUR SUSTAINABILITY STRATEGY.

Strategic Pillars	Material Issues	SDGs	Approach	Highlights
Environmental Stewardship	Climate Action		Our suite of solutions for energy, urban living, clean environments and connectivity help cities urbanise in a sustainable manner.	As part of our environmental sustainability strategy, we will avoid highly polluting businesses such as coal, and will work towards growing and expanding renewables and circular economy solutions. We will be introducing an internal carbon price in the evaluation of all major investment decisions and enhancing our climate risk assessment. We support the Taskforce on Climate-related Financial Disclosures (TCFD), and are working towards incorporating its recommendations in our reporting framework.
Environmental Management			We are committed to minimising our environmental impact, and are focused on sustainable management and efficient use of natural resources.	To support the climate change agenda, we have targets to reduce our carbon emissions intensity. We have also set new targets to reduce waste generation and water consumptions, as well as invest in renewable energy generation. We have been tracking our Scope 1 and 2 emissions since 2010, and will start tracking Scope 3 emissions from 2020.
			We aim to reduce waste generation through resource efficiency, recycling and reuse of natural resources.	
Responsible Business	Economic Sustainability		We regard sustainability both as a corporate responsibility and a source of business opportunities. We are committed to applying our knowledge, skills and technology to drive innovation and support economic development and the well-being of our communities.	Keppel's business operations generate employment, opportunities for suppliers and tax revenues for governments. The Keppel Technology Advisory Panel is a key platform to advance the Group's technology leadership. Separately, Keppel Technology & Innovation serves as a Group-wide resource to sharpen focus on innovation and be a catalyst for change. We have set targets to invest in sustainability-linked innovation.
			We will conduct ourselves according to the highest ethical standards and comply with all applicable laws and regulations wherever we operate. Our tone on regulatory compliance is clear and consistently reiterated from the top of the organisation. We have zero tolerance for fraud, bribery, corruption and violation of laws and regulations.	Keppel Offshore & Marine has become one of the first companies in Singapore to achieve global ISO 37001 anti-bribery certification in 2019. We will work progressively towards ISO 37001 certification for all other Keppel entities. An e-training and assessment exercise covering key policies, including Keppel's Employee Code of Conduct, is carried out on an annual basis.
			We work closely with our suppliers to make a positive impact on their sustainability performance.	All our suppliers are qualified in accordance with our requisition and purchasing policies, screened based on ESG criteria, and are expected to sign and abide by the Keppel Supplier Code of Conduct.
Supply Chain & Responsible Procurement				
Product Quality & Safety			We exercise due care and diligence in the design, construction and operation of our products and services to ensure that they do not pose hazards to customers.	We consider proper design, handling, storage and disposal of materials as early as the planning stage of our projects. At the project execution stage, we carry out project reviews and quality assurance programmes. We will continue to engage our customers for continuous service improvements.

Strategic Pillars	Material Issues	SDGs	Approach	Highlights
People and Community	Occupational Safety & Health		Providing a safe and healthy working environment for all stakeholders is fundamental to our commitment to conduct business responsibly. We are strong advocates for safety and health in the broader community, and champion national and industry initiatives to raise standards and drive innovation in these aspects.	We achieved our goal of zero fatalities across our global operations in 2019. Keppel also clinched 18 awards at the Workplace Safety and Health Awards 2019, which is the highest number of awards won by a single organisation for the year.
			Our businesses spark economic growth, productivity and jobs. Our hiring policies ensure equal employment opportunities for all, and we are committed to invest in nurturing our human capital.	We achieved an Employee Engagement Score of 86% in 2019, an improvement over our score of 82% in 2017 and significantly higher than the average of 76% among Singapore companies. Our stance on human rights is articulated in our corporate statement on human rights, while our stance on diversity and inclusion is articulated in our corporate statement on diversity and inclusion, which was formalised in early-2019. Both statements are publicly available online.
	Labour Practices, Talent Management & Human Rights		We uphold and respect the fundamental principles set out in the UN Universal Declaration of Human Rights and the International Labour Organisation's declaration on fundamental principles and rights at work.	
Community Development			Through collaboration with our stakeholders, we mobilise and share knowledge, expertise and technology, as well as financial and human resources to support the achievement of the SDGs. We encourage and promote effective public, public-private and civil society partnerships through the sponsorship and support of thought leadership and dialogue platforms.	Keppel commits up to 1% of the Group's net profit to worthy social causes. We invested \$9.6 million in social causes in 2019. This included a donation to assist deserving students from low income families via the Institute of Technical Education (ITE) Education Fund, a contribution to SPD, a Singapore charity supporting persons with disabilities, greening efforts in Singapore, as well as to the China Foundation for Poverty Alleviation as part of an ongoing partnership to aid impoverished rural communities in China. Keppel Volunteers achieved over 18,000 hours of community work in 2019. Keppel Care Foundation, the Group's philanthropic arm, has disbursed over \$44 million since its launch in 2012. The foundation supports care for the underprivileged, education and environmental causes.



¹ We expanded the scope of our reporting in 2019 to include contributions by M1.
² Includes a \$5 million donation (second payment tranche) to the ITE Education Fund. Keppel had committed a \$10 million donation to the Fund to promote education for financially-disadvantaged students from ITE in 2018.