

BUILDING A SUSTAINABLE FUTURE

*As part of Vision 2030,
we are working towards becoming
one integrated business, providing solutions
for sustainable urbanisation.*

DEAR SHAREHOLDERS,

2020 will long be remembered as the year of the COVID-19 pandemic. The pandemic infected more than 100 million people worldwide and caused the death of more than two million victims by end-February 2021. It inflicted immense human suffering, ravaged the global economy and disrupted life everywhere.

Recent progress in the development and rollout of COVID-19 vaccines has given hope of bringing the pandemic under control. However, the virus continues to spread in many countries, with new mutations emerging and threatening new waves of infection. We are thus not out of the woods yet, but must continue to rigorously implement safe management measures as we continue the global fight against the coronavirus.

As a multi-business company operating in more than 20 countries, Keppel has also been severely impacted by the pandemic, especially our offshore & marine (O&M) business, which was badly hurt by the plunge in global demand for oil.

However, despite the many challenges brought about by COVID-19, Keppel continues to strive for growth and success. In May 2020, we unveiled Vision 2030, our long-term strategy to guide the Group's growth and transformation.

VISION 2030

From a conglomerate of largely unrelated parts, we are working towards becoming one integrated business, providing solutions for sustainable urbanisation. We will focus on four key segments that are part of a connected value chain, namely Energy & Environment, Urban Development, Connectivity and Asset Management. We are also deepening intra-company collaboration and adopting a *OneKeppel* approach to harness the synergies of the Group

CHAIRMAN'S STATEMENT



LEE BOON YANG Chairman

WE ARE DEEPENING COLLABORATION AND ADOPTING A *ONEKEPPEL* APPROACH TO HARNESS THE SYNERGIES OF THE GROUP AND CAPTURE NEW PROFIT POOLS.

and capture new profit pools that might not be available to individual business entities.

In the last few months, we have progressively announced different steps that Keppel is taking to execute Vision 2030. These include the announcement last September of our plans to monetise \$3–5 billion of identified assets over three years, which will be redeployed to seize new opportunities. We have since made good progress towards the target, with announced divestments of more than \$1.2 billion from October to December. We will continue our asset monetisation programme in the year ahead and recycle capital to fund new initiatives.

Earlier this year, we also announced bold plans to transform Keppel Offshore & Marine (Keppel O&M) to be more relevant and competitive amidst the global energy transition. Keppel O&M will exit the offshore rigbuilding business, after completing its existing uncompleted rigs, and will progressively

exit low value-adding repairs and other activities with low bottom-line contribution. Keppel O&M will instead transit to being a developer and integrator of offshore energy and infrastructure assets, focusing on work with higher value capture. As we execute the transformation of Keppel O&M, we will also continue to explore inorganic options, though there is no assurance that any transaction will materialise.

In line with Keppel's sharpened business focus, we have decided to divest our logistics business, and are currently engaging potential buyers. We have also announced new initiatives in the development of onshore and offshore renewable energy assets, urban development and asset management, among others. These are just some of the changes and new initiatives that the Company will be implementing as we pursue Vision 2030.

CHAIRMAN'S STATEMENT

FINANCIAL PERFORMANCE

For FY 2020, Keppel sustained a net loss of \$506 million, due to impairments of \$952 million, which were mainly in the O&M business. Most of these impairments were recorded in 2Q 2020, following the sharp drop in oil demand and oil prices, which were triggered by the pandemic.

Apart from Keppel O&M, all key business units remained profitable, with Keppel Infrastructure, Keppel Capital and Keppel Telecommunications & Transportation achieving higher net profits year-on-year (yoy). Excluding impairments, FY 2020's net profit would have been \$446 million, underpinned by the resilient performance of Keppel's business units, many of which provide essential services and continued operating throughout the pandemic.

In appreciation of our shareholders for their continued confidence and support for Keppel in this difficult environment, the Board of Directors has proposed a final cash dividend of 7.0 cents per share for FY 2020. Together with the interim

cash dividend of 3.0 cents per share, we will be paying out a total cash dividend of 10.0 cents per share to shareholders for the whole of 2020.

ENERGY & ENVIRONMENT

Over the past few years, Keppel O&M has been increasingly pivoting to renewables and cleaner fossil fuels such as Liquefied Natural Gas (LNG). This strategy has borne fruit. Despite the very tough environment, it secured new order wins of about \$1.0 billion in 2020, with offshore renewables and LNG solutions making up 65% of new orders. Keppel O&M's net orderbook stood at \$3.3 billion as at end-2020, of which close to 82% comprises renewables and gas solutions.

Keppel Infrastructure delivered strong results and continued to grow as a steady contributor to the Group, underpinned by improved performance in the Energy Infrastructure and Environmental Infrastructure businesses. During the year, Keppel Infrastructure secured \$2.1 billion worth of waste-to-energy (WTE) and district cooling contracts across Singapore, India and Thailand.

CASH DIVIDEND PER SHARE

10.0cts

Total cash distribution proposed for FY 2020.

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Keppel O&M extended its track record in offshore renewables, securing a \$600 million contract to build one of the world's largest offshore wind turbine installation vessels for Dominion Energy in the US.



In February 2021, Prime Minister Lee Hsien Loong (third from left) together with Minister for Sustainability and the Environment, Ms Grace Fu (fourth from right) officiated at the opening of the iconic KMEDP.

Despite disruptions caused by the pandemic, the iconic Keppel Marina East Desalination Plant (KMEDP) was completed on schedule and commenced operations in June 2020. On 4 February 2021, we were honoured to have Prime Minister Lee Hsien Loong officiate at the official opening of the plant. It is Singapore's first dual-mode desalination plant, capable of treating seawater and reservoir water, and will contribute to enhancing Singapore's water security.

Keppel Renewable Energy has also announced its first renewables project, namely the development of a 500MW solar farm in Queensland, Australia. We will continue to explore opportunities in renewable energy assets.

URBAN DEVELOPMENT

During the year, Keppel Land announced asset divestments of about \$1.3 billion, and continued to grow its business with the acquisition of a stake in a co-living solutions provider as well as new projects in China and India.

Keppel Land sold about 3,340 residential units, mainly in China, Vietnam and Singapore. Home sales were lower yoy, due to economic headwinds in China, as well as fewer new projects launched in the Chinese market. In Vietnam, home sales were affected

by slower approval for the launch of new projects, though the underlying demand remains strong. In Singapore, home sales improved, reflecting the continuing demand for high-quality and well-located homes.

These home sales figures do not include the approximately 8,200 units sold en-bloc from the announced divestments of our stakes in four residential projects across China and Vietnam.

Our total residential landbank stands at about 54,000 homes, with the majority in China and Vietnam, and a growing portfolio in India.

Keppel Urban Solutions continued to seek opportunities as a master developer of smart, sustainable urban townships, tapping the diverse capabilities of the Keppel Group. It continues to collaborate with Keppel Land on the development of the 64-hectare Saigon Sports City, which combines high-quality urban living with vibrant and healthy lifestyles.

In China, the Sino-Singapore Tianjin Eco-City continues to grow steadily with a vibrant community. During the year, the master developer sold two residential land plots and two industrial plots.

CONNECTIVITY

The pandemic changed the way many people worked. Working from home and virtual meetings became the norm. These changes have driven up demand for communication services and data centres.

In 2020, Keppel Data Centres added two new data centre development projects in Singapore and China to its portfolio. Following the success of the inaugural Alpha Data Centre Fund, we have launched the new Keppel Data Centre Fund II, which will allow us to further expand our data centre footprint, without relying just on our balance sheet.

M1 provides essential communications services and remained relatively resilient despite the pandemic. While roaming and prepaid revenue were affected by COVID-19 related travel restrictions, M1 has expanded its market share to have the second largest postpaid base in Singapore, based on both the number of customers and revenue. A major coup for M1 in 2020 was securing the 5G network license together with StarHub, which will see M1 roll out 5G network coverage across Singapore. The sharing of network resources with StarHub will allow M1 to push out 5G service at more affordable cost. M1's transformation is also progressing well. It has recently unveiled its refreshed brand identity and launched



As part of Vision 2030's focus on sustainability, Keppel is exploring the development of floating data centres, which are more energy efficient than traditional land-based ones.

We are making sustainability our business, by providing solutions that contribute to a cleaner and greener world, such as renewable energy, WTE plants and green buildings.

its new digital connectivity platform, which is expected to significantly improve customer experience.

ASSET MANAGEMENT

Asset Management functions both as a vertical for the Group, and a horizontal which promotes collaboration across businesses, while also serving as a platform for capital recycling and tapping third-party investments for growth. Keppel Capital performed well in FY 2020, with assets under management growing to \$37 billion by end-2020, compared to \$33 billion a year ago. Despite COVID-19 related travel restrictions, Keppel Capital-managed funds raised total equity of about \$4.5 billion from institutional investors during the year, reflecting the strong demand from investors for assets with long-term sustainable cashflow. Keppel Capital has also launched and achieved first close for several funds spanning different asset classes, including real estate, data centres and infrastructure.

BUILDING A SUSTAINABLE FUTURE

As part of Vision 2030, the Board and management have put sustainability at

the core of our strategy. We are committed to running our businesses sustainably, with long-term targets for reducing carbon emissions, as well as water and waste intensities. Environmental sustainability has been woven into the performance appraisal of senior management across the Group, and an internal shadow carbon price has been included in the evaluation of all major investment decisions.

We are also making sustainability our business, by providing solutions that contribute to a cleaner and greener world, such as renewable energy, WTE plants and green buildings. Reflecting our commitment to contribute to greening the built environment, Keppel Bay Tower, where Keppel Corporation is headquartered, has been certified by the Building and Construction Authority (BCA) as Singapore's first Green Mark Platinum (Zero Energy) commercial building. In addition, we are exploring floating data centres, which are more energy efficient than traditional land-based ones.

The realisation of Vision 2030 depends on people, our most important asset,

and we have continued to invest in training and talent development. I am heartened to see that notwithstanding the challenging external environment, Keppelites remain highly engaged. In the 2020 Employee Engagement Survey, we achieved an engagement score of 87%, significantly higher than Mercer's global average of 80%. As part of the Group's succession planning, we have carried out leadership renewal in a few key business units. These next generation leaders are part of the team that formulated Vision 2030 and are well-placed to collaborate with the rest of the Group to realise our common vision.

Compliance remains a key focus area. In December 2020, we announced that Keppel O&M had complied with and successfully concluded the Deferred Prosecution Agreement which it had entered into with the U.S. Department of Justice three years ago, thus bringing closure to a very painful chapter in Keppel's history. Reflecting Keppel's zero tolerance for corruption, we have continued to enhance our compliance measures, including progressively rolling out the ISO 37001 Anti-Bribery Management System across business units. Apart from Keppel O&M, which had achieved global certification in 2019, the Singapore entities of both Keppel Land and Keppel Data Centres also achieved ISO 37001 certification in 2020.

Safety is one of Keppel's core values, and we continue to enhance the Group's safety performance, including through harnessing technology such as data analytics and artificial intelligence to improve our health and safety systems and processes. At the Singapore Workplace Safety & Health Awards 2020, Keppel won 21 awards, the highest number by a single organisation for the year. In 2020, our total recordable injury rate improved. However, sadly, we suffered one fatality at a yard in Singapore. We have thoroughly investigated the incident and put in place enhanced training and other measures to prevent recurrence.

Keppel believes in contributing to the community, wherever we operate. We committed over \$5 million to the fight against COVID-19, in Singapore and overseas, including donating to The Courage Fund in Singapore. I would like to thank the directors and staff of the Keppel Group for their generous contributions to these efforts. Beyond lending a hand to communities most affected by COVID-19, we also continued to provide care for the underprivileged and support environmental causes. Through the Keppel Care Foundation, we donated \$2 million to the National Kidney Foundation to open the first dialysis centre in Singapore which is co-located within a hospital compound.

We also committed to plant 10,000 trees in Singapore over the next five years, in support of the National Parks Board's One Million Trees Movement. Beyond providing financial support, our staff also contributed more than 10,000 hours of volunteer community outreach and service globally, including both physical events held in compliance with safe management measures, as well as creative virtual engagement programmes.

ACKNOWLEDGEMENTS

As Keppel had announced earlier, I will be retiring from the Board on 23 April 2021, immediately after the upcoming Annual General Meeting (AGM). I will be succeeded by Mr Danny Teoh, a longstanding director of the Company with sharp business acumen and strong expertise in governance, finance and risk management, whom I am confident will provide effective leadership to the Board and management as Keppel continues its growth and transformation.

It has been a great privilege and honour for me to have served as the Chairman of the Board for close to 12 years. I am deeply grateful to shareholders for your support, and for the opportunity to have worked with many outstanding Board members and dedicated Keppelites to build on the Keppel story.

We would also like to thank our non-executive and independent directors, Mr Alvin Yeo and Mr Tan Ek Kia, who will be retiring at the conclusion of the upcoming AGM. We are grateful to Alvin for his close to 12 years of distinguished service and wise counsel, and Ek Kia, whose extensive experience in the energy business and the field of HSE

(health, safety and the environment) has greatly benefitted the Board and Company for almost 11 years.

In addition, I would like to thank my fellow directors for their commitment and valuable guidance during this past year, which has been exceptionally challenging. I am also grateful to our many partners, customers and stakeholders for their support and confidence in Keppel as we navigate these uncharted waters.

Finally, my appreciation goes to the thousands of Keppelites around the world, including the migrant workers who are an important part of our workforce, for their hard work, dedication and resilience, as we continued to run our operations and provide essential services to the community despite the pandemic.

While the global economic outlook remains uncertain, we have a clear vision of the future that we want to create. Guided by Vision 2030, the Group will work as *OneKeppel* and collaborate with our partners and stakeholders to build a sustainable future.

Yours sincerely,

LEE BOON YANG

Chairman

26 February 2021



Keppel Volunteers distributed festive care packs to beneficiaries as part of the Group's support for vulnerable communities affected by COVID-19.

COMMUNITY CONTRIBUTION

>\$5m

Committed to fight COVID-19, in Singapore and overseas.

VOLUNTEER HOURS

>10,000 hrs

Of community outreach and service by Keppelites globally.