

PRESS RELEASE

KEPPEL OFFSHORE & MARINE REACHES GLOBAL RESOLUTION WITH AUTHORITIES IN THE U.S., BRAZIL AND SINGAPORE

- Keppel Offshore & Marine (KOM) has reached a global resolution with the criminal authorities in the United States, Brazil and Singapore, bringing closure to the investigations into corrupt payments made by a former agent of KOM in Brazil.
- KOM will pay fines totaling US\$422 million to the three jurisdictions. This represents a 25% discount off the bottom of the applicable fine range under U.S. Sentencing Guidelines, the maximum cooperation and remediation credit allowed.
- The Group has co-operated fully and extensively with the authorities, and has embedded effective compliance controls across its businesses.
- Keppel reiterates zero tolerance of corruption and is determined to win back trust and emerge as a more disciplined and sustainable company, better able to pursue our growth plans.

SINGAPORE, 23 December 2017 – Keppel Corporation Limited (Keppel Corporation or Keppel) today confirmed that KOM has reached a global resolution with criminal authorities in the United States, Brazil and Singapore in relation to corrupt payments made by KOM's former agent in Brazil, Mr Zwi Skornicki.

As part of the global resolution, KOM has accepted a conditional warning from the Corrupt Practices Investigation Bureau (CPIB) in Singapore, and entered into a Deferred Prosecution Agreement (DPA) with the U.S. Department of Justice (DOJ), while Keppel FELS Brasil, a wholly-owned subsidiary of KOM, has reached a Leniency Agreement with the Public Prosecutor's Office in Brazil, the Ministério Público Federal (MPF). The Leniency Agreement would become effective following approval of the Fifth Chamber for Coordination and Review of the MPF. In addition, Keppel Offshore and Marine USA (KOM USA), also a wholly owned subsidiary of KOM, has agreed to plead guilty pursuant to a plea agreement with the DOJ.

These agreements relate to corrupt payments made by Mr Skornicki in relation to several KOM projects in Brazil, which were made with knowledge or approval of former KOM executives. As announced in October 2016, Keppel undertook a thorough internal investigation, identified certain suspicious transactions involving Mr Skornicki, and

cooperated fully and extensively with the authorities to resolve the issues arising from or in connection with those transactions.

As part of the resolution, KOM will pay fines in an aggregate amount of US\$422,216,980 (or approximately S\$570 million), to be allocated between the U.S., Brazil, and Singapore.

The authorities recognise Keppel's cooperation in the investigations and its extensive remedial measures, which involved significant enhancements to compliance and internal controls systems across the Keppel Group, and disciplinary action against individuals involved in the misconduct. In light of these efforts, the authorities determined that an independent compliance monitor was not necessary, and KOM received a 25% reduction, the maximum cooperation and remediation credit possible, off the bottom of the applicable fine range under the U.S. Sentencing Guidelines.

Dr Lee Boon Yang, Chairman of Keppel Corporation, said, "Integrity is one of Keppel's core values. We do not and will not tolerate any illegal activity in the conduct of our business. We regret and are deeply disappointed by the actions that we now know to have taken place at the Group's offshore and marine business in Brazil from around 2001 to 2014.

"Global companies such as Keppel have both a legal and moral duty to operate fully within international laws and regulations. Any perception that illegal payments can be condoned, if they are made by agents, is wrong and will not be tolerated.

"Since the allegations emerged, we have moved quickly and decisively to put in place stricter controls and embedded best practices across the Group to ensure that such unacceptable behavior will not be repeated."

Mr Loh Chin Hua, CEO of Keppel Corporation, added, "The past practices uncovered at KOM do not reflect how the Keppel Group conducts business today. Keppel does not just care about results, we care deeply about how our results are achieved. We have zero tolerance for corruption. Effective compliance controls are now thoroughly embedded across all our businesses supported by rigorous anti-corruption training and robust compliance and governance regimes.

"Today's settlement means we can draw a line under this difficult issue which has been a key focus of the board and senior management since the bribery allegations first emerged, and look to the future. It has been a very painful chapter for Keppel and the thousands of hard working and honest colleagues we employ in Singapore and around the world. We must now work hard to win back the trust our stakeholders have placed in us and demonstrate our determination to hold ourselves to the highest ethical standards everywhere we operate.

"Given Keppel's strong track record and capabilities, I am confident that we will emerge as a more disciplined and sustainable company, better able to pursue our growth plans."

The financial penalty is an extraordinary item and its impact is one-off. Based on the latest audited financial statements of Keppel Corporation Limited for the financial year ended 31 December 2016, on a pro forma financial effects basis, had the fines been

imposed on 31 December 2016, the net tangible asset per share as at 31 December 2016 would have decreased from S\$6.34 (before the fines) to S\$6.03 (after the fines); and had the fines been imposed on 1 January 2016, the earnings per share for FY2016 would have decreased from 43.2 cents (before the fines) to 11.7 cents (after the fines).

For legal reasons, Keppel is unable to comment on the agreed Statements of Facts released by the investigating authorities or on the identities of individual employees. Further details are provided in the attached Fact Sheet.

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FACT SHEET ON KEPPEL OFFSHORE & MARINE'S GLOBAL RESOLUTION WITH AUTHORITIES IN THE U.S., BRAZIL AND SINGAPORE

1. What agreements underpin the global resolution and what do they entail?

Deferred Prosecution Agreement

As part of the U.S. resolution, KOM entered into a Deferred Prosecution Agreement (DPA) with the U.S. Department of Justice (DOJ).

The DPA is a voluntary agreement which results in the deferral of prosecution for a specific period provided that KOM fulfils certain requirements, including payment of the relevant fines, continued cooperation with the DOJ, and implementing improvements in its compliance processes. KOM will provide annual reports to DOJ regarding its corporate compliance measures during the term of the DPA.

Provided KOM meets its obligations under the DPA, the DPA will expire after three years. Within six months of the DPA's expiration, the DOJ will dismiss any charges relating to the conduct described in the DPA and the agreed Statement of Facts and agrees not to bring charges related to that conduct in the future.

Plea Agreement

As part of the U.S. resolution, KOM USA pleaded guilty to one count of conspiracy to violate the U.S. Foreign Corrupt Practices Act. KOM USA will pay a penalty, which will be subtracted from the amount owed by KOM to the United States government under the DPA.

Leniency Agreement

In Brazil, the Leniency Agreement was entered into between MPF and Keppel FELS Brasil (for the benefit of the KOM group of companies).

The Leniency Agreement would become effective following approval of the Fifth Chamber for Coordination and Review of the MPF.

Under the Leniency Agreement, Keppel FELS Brasil has agreed to fulfill certain requirements, including payment of fines, ongoing cooperation with MPF, and a commitment to maintain robust compliance processes. The MPF has agreed not to initiate any proceedings, including administrative improbity lawsuits, in relation to the reported issues against the KOM group of companies.

Conditional warning from the Singapore authorities

In Singapore, KOM has accepted a conditional warning from CPIB. Under the conditional warning, KOM has committed to certain undertakings and will pay a fine.

2. What does the global resolution cover?

The global resolution relates to improper payments that were made to Brazilian government officials between 2001 and 2014 in relation to KOM's various projects with Petrobras and Sete Brasil.

3. What are the penalties and fines involved?

KOM will pay fines in an aggregate amount of US\$422,216,980 or approximately S\$570 million. This amount reflects a 25% discount off the bottom of the applicable fine range under the US Sentencing Guidelines, the maximum cooperation and remediation credit allowed.

4. What are the jurisdictions involved in this global resolution?

The global resolution involves criminal authorities in the US, Brazil and Singapore.

5. When did Keppel start cooperating with the investigating authorities?

When bribery allegations first emerged in the Brazilian media in 2015, Keppel investigated the facts as part of its zero tolerance approach to such conduct. As announced in October 2016, when Keppel's internal investigations revealed suspicious transactions, we notified the authorities in the relevant jurisdictions to cooperate in connection with these transactions.

6. What are the enhanced regulatory compliance measures that Keppel has implemented?

Keppel has moved quickly to strengthen its regulatory compliance measures and has rolled out an enhanced programme across the Group in 2015. Specific measures include the following:

- An enhanced Code of Conduct containing detailed anti-corruption provisions and guidance on dealing with intermediaries.
- Establishment of a group-wide compliance and governance framework.
- A dedicated independent Group-wide compliance function has been set up, reporting to the head of Group Risk and Compliance and the respective Board Risk Committees. Keppel is further strengthening its compliance function with the addition of experienced compliance personnel.
- Extensive risk-based due diligence procedures for third parties who represent Keppel in business dealings.
- An on-going program to educate staff on Keppel's zero tolerance for bribery and corruption. Whistleblower and anti-bribery mechanisms are in place and full information on employee responsibilities and reporting structures has been distributed across all business units.

- Rigorous and regular training programmes to enhance the compliance culture across the Group, including comprehensive annual compliance-related e-learning and attestations exercises. Specific compliance training for KOM employees in Singapore and Brazil has been introduced and KOM is also rolling out training for key third party associates.
- New and revised compliance policies have been issued, including:
 - A new Supplier Code of Conduct, including specific anti-bribery provisions
 - An updated Group Whistleblower Policy, with centralized procedures and a new whistleblower committee.
 - A Group Policy on Agent Fees to strengthen procedures and requirements when hiring agents

Other ongoing enhancements include refinement of our due diligence procedures, clarification of reporting lines to reinforce the independence of the compliance function, and streamlining policies and procedures.

7. How is the US Department of Justice involved when the issues took place in Brazil?

There were various grounds for the US DOJ to claim jurisdiction, including the fact that KOM USA is based in the US and was involved in KOM's business in Brazil.

8. Will Keppel still face prosecution in other jurisdictions for these offences?

No, we do not expect to face prosecution in any other jurisdiction for these offences.

9. What actions did Keppel take against the employees referred to in the agreed Statements of Facts?

Disciplinary action has been taken against employees involved in the misconduct, including separation and financial penalties. Keppel has separated with all the executives defined as "relevant individuals" in the Statements of Facts released by the authorities.

For legal reasons, Keppel is unable to comment on individual employees, or the specific penalties imposed against them.

KOM's relationship with the agent in Brazil was terminated in 2016.

10. Will Keppel be able to continue operating and securing contracts in the US, Brazil and other countries?

Keppel will continue its operations in the US and Brazil. Keppel does not expect any negative impact on its ability to bid for contracts in the US, Brazil and other countries.

11. Will Keppel be able to pay the financial penalty?

Yes. Keppel has the financial resources to pay the penalty. There will be an impact on our balance sheet, but it will not prevent us from pursuing our growth plans.

We will make a provision for the agreed amount of fines in the current financial year. This is an extraordinary event and the impact on our P&L is a one-off.

If the fines had been paid at the end of Dec 2016, Keppel Corporation's net gearing would have increased from about 0.565x then to around 0.640x, an increase of about 750 basis points (7.5%).

12. How will this affect Keppel's dividends for the current year?

As this is an extraordinary event, Keppel will ring-fence the financial penalty when considering the final dividend to propose for the current year.

The final proposed dividend will be announced at the Group's full year results announcement in January 2018 and will be subject, as usual, to shareholder approval at the Annual General Meeting.

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