

Sustainability-Linked Financing Framework

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Introduction

1.1 About Keppel Ltd.

Keppel Ltd. (“Keppel”) is a leading global asset manager and operator, with strong capabilities in infrastructure, real estate and connectivity.

Keppel has integrated sustainability into its business strategy and is committed to both running its business sustainably and making sustainability its business by providing solutions that contribute to sustainable development and climate action. Details on Keppel’s sustainability governance structure and performance can be found in Keppel’s Sustainability Report.



Keppel's Sustainability Strategy and Approach

Keppel's purpose is creating solutions for a sustainable future. The Company's sustainability approach is guided by the three strategic pillars of Environmental Stewardship, Responsible Business and People & Community.



Environmental Stewardship



Responsible Business



People & Community

The Board determines the material Environmental, Social and Governance ("**ESG**") factors of the Company, oversees the management and monitoring of the material ESG factors, and takes them into consideration in the determination of the Company's strategic direction and policies. In 2022, Keppel established a Board Sustainability and Safety Committee ("**BSSC**") to provide even greater focus on sustainability matters.

At the management level, the Management Executive Committee oversees the Company's strategy and performance, and provides guidance on strategic and operational issues and performance, including sustainability issues. The committee is chaired by Keppel's Chief Executive Officer and Executive Director Loh Chin Hua and comprises Keppel's senior management. The Chief Sustainability Officer ("**CSO**"), who reports to the CEO as well as the BSSC, coordinates and drives Keppel's sustainability efforts. The CSO chairs Keppel's Sustainability Working Committee, comprising heads of corporate functions and representatives from different platforms and divisions, which monitors and executes the Company's sustainability efforts. The CSO also heads Keppel's Sustainability department, which manages different aspects of the Company's sustainability efforts, including preparing Keppel's sustainability report.

With the goal to ensure that key ESG factors that are material to Keppel are managed, a comprehensive materiality review, supported by an external consultant, is conducted once every five years, or more frequently if required. In the intervening years, the review of material ESG factors is conducted each year by the Management Executive Committee and the Sustainability Working Committee, and approved by the Board. Regular engagement with stakeholders also helps Keppel identify and manage the positive and negative material impacts of its business. Keppel's key stakeholders include the following:

- Employees
- Customers
- Governments
- Shareholders
- Suppliers
- Local communities



Keppel is honoured to receive the President's Award for the Environment in 2023. This is the highest environmental accolade for individuals, educational institutions and organisations that have made outstanding contributions towards the environment and sustainability, as well as building a climate-resilient future for Singapore.

Keppel's materiality assessments are based on the SGX guidelines on Sustainability Reporting, as well as the Global Reporting Initiative ("**GRI**")'s guidance on the approach to determine material topics. As defined by GRI Standards, material topics include those that reflect the organisation's significant economic, environmental, and social impacts; and would substantively influence the assessments and decisions of stakeholders. Keppel also incorporates double materiality perspectives, and considers how ESG factors impact the Company's operational context, strategic direction and ability to create value.

The material ESG factors identified are further organised into highly critical and critical factors, based on the outcome of the prioritisation process with stakeholders, as well as management's judgement of their impacts on the Company and the Company's impact on stakeholders.

The Board and management oversee the management and monitoring of the material ESG factors. The day-to-day management of each material factor is handled by different functional departments or dedicated committees, and coordinated by the Sustainability Working Committee, which is chaired by the CSO, with oversight by the Management Executive Committee. The BSSC further oversees management's plans and progress towards achieving the goals and targets associated with the material ESG factors.

Based on the comprehensive materiality review conducted in 2022, Keppel identified seven material ESG topics for the Company, namely:

	Environmental Stewardship	Responsible Business		People & Community	
Highly Critical	Climate Action & Environmental Management	Corporate Governance & Risk Management		Human Capital Management	Health & Safety
Critical		Economic Contribution to Society	Supply Chain Management	Community Development	

Further updates on Keppel's material ESG factors will be provided in Keppel's Sustainability Report for 2023, to be published by end-May 2024.

Rationale and Scope of Keppel's Sustainability-Linked Financing Framework

To further enhance Keppel's sustainability efforts, the Company strives to integrate sustainability into its financing strategy. To this end, it is establishing a Sustainability-Linked Financing Framework (the "**Framework**") which will provide guidelines for Keppel when it enters into Sustainability-Linked Financing Transactions ("**SLFTs**"), including but not limited to the products below:



Sustainability-Linked Bonds ("SLBs")



Sustainability-Linked Loans ("SLLs")



any other Sustainability-Linked instruments

(e.g., commercial paper, derivative instruments, or any other form of financial instruments to be negotiated between Keppel and its lenders or investors)

For avoidance of doubt, the SLFTs may be in any currency, tenor, or covenant(s) which may arise from the commercial discussions between Keppel and its lenders or investors. A SLFT may be entered by a subsidiary of Keppel.


KI@Changi
Singapore’s first Green Mark Platinum Positive Energy building under the new Green Mark scheme.
The positive energy building generates renewable energy onsite that is more than double its own consumption.

Sustainability-Linked Financing Framework

The Framework is developed in accordance with the relevant international principles and guidelines listed below (collectively the "**Principles**"), to ensure that the SLFTs meet the market's best practices.

SLFTs issued under this Framework will be aligned, as appropriate for the type of instrument issued, with:



- Sustainability Linked Bond Principles ("**SLBP**") published by ICMA in June 2023
- Sustainability Linked Loan Principles ("**SLLP**") published by LMA/LSTA/APLMA in February 2023

In accordance with the relevant Principles, this section describes the following five core components:



- Selection of Key Performance Indicators ("**KPIs**")
- Calibration of Sustainability Performance Targets ("**SPTs**")
- Bond/Loan Characteristics
- Reporting
- Verification

4.1 Selection of Key Performance Indicators ("KPIs")

Keppel will select KPIs that are:



- relevant, core and material to the Company's strategy and operations;
- measurable or quantifiable on a consistent methodological basis; and
- externally verifiable.

For each SLB or SLL, Keppel may select one or more KPIs which may include but are not limited to the list of KPIs described below.

KPI 1: Reduction of Absolute Carbon Emission (Scope 1 and 2)	
Definition of the KPI	Reduction of Absolute Carbon Emission compared to the base year, for the entities and assets within the Measurement Boundaries.
Unit	tCO_2e
Baseline	Base year 2020: 172,282 tCO_2e
Rationale behind the selection of the KPI (Relevance, materiality)	Keppel committed in 2021 to halve the Company's Scope 1 and 2 Carbon Emissions by 2030, compared to 2020 levels, and achieve net zero Scope 1 and 2 emissions by 2050. The target is in line with the Paris Agreement's goal to limit global temperature increase to 1.5°C compared to pre-industrial levels. Carbon Emission has been selected as a meaningful metric to demonstrate Keppel's commitment to decarbonise amidst continued business growth.
Methodology	Definition of Carbon Emissions for the purposes of KPI 1 and SPT 1 is as follows: Carbon Emissions = Annual Scope 1 + Scope 2 market-based GHG Emissions[1], in tonnes CO_2e Scope 1 and Scope 2 market-based emissions will be calculated in accordance with the Operational Control Approach in the GHG Protocol Corporate Accounting and Reporting Standard.
Measurement Boundaries	The measurement boundaries for the purposes of KPI 1 and SPT 1 are Keppel and its subsidiaries in operation as of the end date of the reporting period covered in its latest annual/sustainability report. In addition, Keppel commits to continue tracking and disclosing all relevant categories of Scope 3 Carbon Emissions and to obtain external limited assurance for the Scope 3 disclosures. Keppel is working with its value chain and portfolio of investments to improve their energy efficiency and reduce their emissions where possible.

[1] Aggregated for the Measurement Boundaries

KPI 2: Grow Keppel's portfolio of renewable energy assets	
Definition of the KPI	Grow portfolio of renewable energy assets, including investments made by business trusts or private funds managed by Keppel.
Unit	GW
Baseline	2020: Not significant
Rationale behind the selection of the KPI (Relevance, materiality)	This KPI reflects Keppel's commitment to contribute to decarbonisation by providing renewables and clean energy for its customers and communities.
Methodology	For the purpose of KPI 2, the portfolio of renewable energy assets is on a gross basis, where total power output for each SPT year is calculated via the consolidation of all the announced capacity of the renewable energy assets acquired or developed by Keppel, including projects under development. It includes investments made by the business trusts or private funds managed by Keppel, as well as renewables projects of Keppel's subsidiaries and associates. Renewable Energy is defined to be inclusive of the following technologies: • Solar • Wind • Hydroelectric • Geothermal • Ocean/wave/tidal • Green hydrogen powered electricity generation
Measurement Boundaries	The measurement boundaries for the purposes of KPI 2 and SPT 2 are projects announced by Keppel and its subsidiaries/associates as of the end date of the reporting period covered in its latest annual/sustainability report. It includes investments made by business trusts or private funds managed by Keppel.

KPI 3: Maintaining good rating in Singapore Governance and Transparency Index (SGTI)	
Definition of the KPI	Ranking result in SGTI, a collaboration between CPA Australia, the Centre for Governance and Sustainability at NUS Business School and the Singapore Institute of Directors, based on average percentile ranking of the current and preceding year.
Rationale behind the selection of the KPI (relevance materiality)	Keppel recognises that sustainability includes environmental, social and governance aspects. This KPI reflects Keppel's commitment to be among the top SGX-listed companies in terms of governance and transparency.
Methodology	To refer to ranking results of SGTI that are published annually.
Measurement Boundaries	The measurement boundaries for the purposes of KPI 3 and SPT 3 are Keppel and its subsidiaries in operation as of the end date of the reporting period covered in its latest annual/sustainability report.

4.2 Calibration of Sustainability Performance Targets ("SPTs")

For each SLB or SLL, Keppel may use one or more of the KPIs in Section 4.1 above and the respective SPTs described below.

SPT 1: Absolute reduction of Keppel's carbon emissions (Scope 1 and 2)	
Description of SPT	Reduce Scope 1 and 2 emissions (tCO2e) by 50% from 2020 baseline by 2030, based on straight-line reduction.
Strategy to achieve SPT	Keppel has developed a Carbon Mitigation Hierarchy: 1. **Avoiding** a. Avoiding pollutive activities and sectors b. Refocusing business on sustainable solutions 2. **Reduce** a. Improving energy efficiency of operations 3. **Replace** a. Increase utilisation of renewables and clean energy, including through purchase of renewable energy credits b. Invest in carbon capture, utilisation and storage/sequestration, where possible 4. **Offset** a. Purchasing quality carbon credits to offset unavoidable emissions

Track record of Carbon Emissions (Scope 1 and 2) (tonnes of CO_2 equivalent)

Carbon Emissions	2020	2021	2022
Within Measurement Boundaries	172,282	157,122	142,004

Track record of Reporting on Carbon Emissions (Scopes 1, 2 & 3)

Scopes of Carbon Emissions	2020	2021	2022
Within Measurement Boundaries	Scope 1, Scope 2, Scope 3 (4 categories)	Scope 1, Scope 2, Scope 3 (10 categories)	Scope 1, Scope 2, Scope 3 (all 15 categories)

SPT 2: Grow Keppel's portfolio of renewable energy assets

Description of SPT	Increase portfolio of renewable energy assets, including renewable energy imports (GW), to 7GW by 2030, compared to the 2020 baseline which was not significant. **End 2027 ≥4.9GW** **End 2030 ≥7GW**
Strategy to achieve SPT	Keppel has been expanding its renewable energy portfolio through the development or acquisition of renewable energy assets, as well as the acquisition of renewable energy platforms. Keppel has dedicated investment teams exploring suitable infrastructure assets, including renewable energy assets. Keppel is also actively seeking opportunities to import renewable energy into Singapore. Keppel will continue to grow its portfolio of renewable energy assets in line with its asset-light strategy as an asset manager and operator.

Track record of Renewable Energy Assets (GW)

Renewable Energy Assets	2021	2022
Within Measurement Boundaries	1.1	2.6

SPT 3: Maintaining good rating in Singapore Governance and Transparency Index (SGTI)

Description of SPT	Remain above 95th percentile in SGTI, based on the average percentile ranking of the current and preceding year.
Strategy to achieve SPT	The long-term sustainability of Keppel's business is driven at the highest level of the organisation through a strong and effective board, good corporate governance and prudent risk management. Keppel will continue to improve corporate governance and transparency, taking into account evolving regulations, expectations and best practices. The ranking in the SGTI provides a useful yardstick to measure the progress of Singapore-listed companies in enhancing governance and transparency.

Track record of SGTI ratings

SGTI Ratings	2021	2022	2023
Within Measurement Boundaries	98.5% (8th out of 519 companies)	98.2% (9th out of 489 companies)	98.5% (7th out of 474 companies)

Recalculation of SPTs

The SPTs might be adjusted in the future due to events not directly related to sustainability performance, for example, if there are future methodological changes in the GHG Protocol or regulations involving carbon emissions reporting. Any changes will be stated in Keppel's annual Sustainability Report, where applicable.

4.3 Bond/Loan Characteristics

4.3.1 Sustainability-Linked Bonds

Keppel will link the financial structure of each SLB to one or more SPTs as described in section 4.2.

Each SLB issued under this Framework will include a variation in the coupon or redemption price should the selected SPTs not be met.

The exact variation mechanism will be described in the relevant documentation of each SLB. Other details may include a fallback mechanism in case the SPTs cannot be calculated or observed in a satisfactory manner, and/or language that takes into consideration potential exceptional or extreme events that could substantially impact the calculation of the SPTs where applicable.

4.3.2 Sustainability-Linked Loans

Keppel will link the financial structure of each SLL to one or more SPTs which may include but are not limited to those described in section 4.2.

Keppel will agree with the lender(s) on the pricing adjustment mechanism, including but not limited to the target year to achieve the SPTs, reporting format, commercial terms and potential incentives in the event the SPTs are achieved. The economic outcome may include an adjustment in the interest margin which will be duly documented in the relevant loan finance document(s) of each SLL.

4.4 Reporting

Keppel will disclose the progress of KPIs and performance of SPTs described in section 4.2 once a year, after the completion of the necessary assurance, over the period of the relevant SLFT(s) still outstanding. The disclosure will be included in Keppel's annual Sustainability Report or any other documentation it deems suitable, which will be made available on Keppel's website.

4.5 Verification

4.5.1 Sustainability-Linked Bonds

Keppel's performance against the SPTs described in section 4.2 will be reported once a year in its Sustainability Report, which will be subject to external assurance, over the tenor of the relevant SLBs still outstanding. The external verifier may be a qualified provider of third-party assurance or attestation services, an auditor or specialised consultancy, that Keppel will appoint.

4.5.2 Sustainability-Linked Loans

Keppel's performance against the SPTs described in section 4.2 will be reported once a year in its Sustainability Report, which will be subject to external assurance, over the tenor of the relevant SLLs still outstanding. Similarly, SPT(s) that are not described in section 4.2 but separately agreed between Keppel and the lender(s), will be subject to external assurance, with the verification report to be made available, at a minimum, to the lender(s). In both cases, the external verifier may be a qualified provider of third-party assurance or attestation services, an auditor or specialised consultancy, that Keppel will appoint.

External Review of the Framework

Keppel has appointed an independent sustainability consultancy firm, Environmental Resources Management ("**ERM**"), to review the Framework and provide a Second-Party Opinion ("**SPO**") report. The SPO report will be made available on Keppel's website.

Keppel will perform additional SPO or external assurance if there are material changes to the Framework, such as but not limited to, additional KPI(s) or SPT(s) to be included over time.

Amendments to this Framework

Keppel will review and update this Framework as and when necessary, including material changes in the perimeter, methodology, KPIs and/or calibration of SPTs. The updated Framework, if any, will be published on Keppel's website and will replace this Framework.

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