Second-Party Opinion Report

Key Performance Indicators and Sustainability Performance Targets of Keppel Ltd. for a Sustainability Linked Financing Framework

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0708745



Andy Yap
Partner, M&A and Sustainable Finance

Environmental Resources Management (S) Pte Ltd
88 Market Street #40-16
Singapore 048948
T +65 6324 9636

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ACRONYMS AND ABREVIATIONS

Acronyms	Description
APLMA	Asia Pacific Loan Market Association
ASEAN	Association of Southeast Asian Nations
DG	Diesel generating
ERM	Environmental Resources Management
EMA	Energy Market Authority
ESG	Environmental, Social and Governance
GHG	Greenhouse Gas
ICMA	The International Capital Market Association
ICT	Information and Communication Technology
JTC	Jurong Town Corporation
KAIF	Keppel Asia Infrastructure Fund
Keppel	Keppel Ltd. (as of 1 January 2024, previously known as Keppel Corporation Limited)
KIT	Keppel Infrastructure Trust
KPI	Key Performance Indicator
LMA	Loan Market Association
LSTA	Loan Syndications and Trading Association
PV	Photovoltaic
REIT	Real Estate Investment Trusts
SASB	Sustainability Accounting Standards Board
SBTi	Science Based Targets
SGTI	Singapore Governance and Transparency Index
SID	Singapore Institute of Directors
SLB	Sustainability Linked Bond
SLBP	Sustainability Linked Bond Principles
SLFF	Sustainability Linked Financing Framework
SLFT	Sustainability Linked Financing Transaction
SLL	Sustainability Linked Loan
SLLP	Sustainability Linked Loan Principles
SPO	Second Party Opinion
SPT	Sustainability Performance Target
UNGC	United Nations Global Compact

1. EXECUTIVE SUMMARY

1.1 SCOPE OF WORK

Environmental Resources Management (S) Pte Ltd (ERM) was engaged by Keppel Ltd. ("Keppel", or the "Company"), to provide a second-party opinion (SPO) on the quality of the key performance indicators (KPIs) and sustainability performance targets (SPTs) proposed by Keppel, prior to the signing of certain Sustainability Linked Financing Transaction (SLFT), which includes Sustainability Linked Bond (SLB) and/or Sustainability Linked Loan (SLL).

Keppel is a leading global asset manager and operator with strong expertise in sustainability-related solutions in infrastructure, real estate, and connectivity. Headquartered in Singapore and established in 1968, Keppel currently operates in more than 20 countries worldwide, spanning across Australia, Middle East, United States of America, India, China, South Korea, Indonesia, Japan, Malaysia, Vietnam, and in several countries in Europe, providing critical infrastructure and services for renewables, clean energy, decarbonisation, sustainable urban renewal and digital connectivity.

Recently, Keppel developed a Sustainability Linked Financing Framework (SLFF) to support its general corporate funding as well as the pursuit of business opportunities in the sustainability space. To ensure the framework's quality and sustainability performance, ERM was appointed to review the KPIs, and SPTs. ERM's responsibility was to provide a Second Party Opinion (SPO) by assessing the core elements based on the available information and their professional judgment.

The core elements were assessed against the Asia Pacific Loan Market Authorization/Loan Market Association/Loan Syndications and Trading Association Sustainability-Linked Loans Principles (February 2023) (SLLP), and the International Capital Market Association Sustainability-Linked Bond Principles (June 2023) (SLBP) namely:

- Selection of KPIs;
- Calibration of SPTs;
- Loan/Bond characteristics;
- Reporting; and
- Verification.

The assessment included desktop research and engagements with Keppel. To formulate a sound opinion, ERM completed the assessment in two key phases.

External Review: To assess the material Environmental, Social and Governance (ESG) topics, metrics and Key Performance Indicators (KPIs) for the sector, ERM conducted a desktop analysis which included relevant and publicly disclosed documents of Keppel, as well as external standards such as International Capital Market Association (ICMA)'s Illustrative KPI Registry 2023, S&P Global – ESG Materiality Mapping for Power Generators, Engineering and Construction, Real Estate and Telecommunications, and Sustainability Accounting Standards Board (SASB)'s Industry Standard for Electrical Utilities & Power Generators, Engineering & Construction Services, Renewable Resources & Alternative Energy, Real Estate and Real Estate Services, Telecommunication Services and Asset Management & Custody Activities. A review of relevant and publicly available information from comparable global asset managers and companies in similar industries as Keppel's operating divisions was also conducted to assess and

benchmark the SPTs. This was done to ensure that the proposed SPTs are relevant and comparable to companies[1] in similar industries as Keppel's operating divisions.

Keppel Engagement: ERM engaged Keppel's representatives who oversee activities related to the SPTs for the KPIs. In order to gain a deeper understanding of Keppel's rationale behind the KPIs and annual targets, current performance against the SPTs and the processes and activities involved in achieving the SPTs, ERM scheduled a series of 1-hour calls with Keppel's representatives and requested several follow-up questions and documentation. Information and requested documents have been provided via email correspondences.

Keppel representatives have confirmed that they understand it is the responsibility of Keppel to provide ERM with all relevant information that is complete, accurate, and up to date. This document is the SPO Report, which includes ERM's opinion with detailed analysis and recommendations.

1.2 LIMITATIONS OF THE ENGAGEMENT

- The SPO Report considers the rationale (i.e., relevance, materiality) of the selected KPIs; the ambitiousness of the SPTs, consistency with the overall sustainability objectives as set out in Keppel's sustainability strategy, the credibility of Keppel's strategy to achieve the SPTs; the relevance and reliability of selected baselines, and external benchmarks or frameworks referred to. It does not measure nor perform calculations, nor predict Keppel's future performance in achieving the SPTs. It is important to understand the SPO in this context.
- The SPO Report reflects the current industry standards, but it does not warrant alignment with future relevant industry standards.
- The desktop review of relevant targets was limited by the nature of targets set within the industry.
- The data used in this SPO are limited to the SPO development timeline and supported by data from engagement session between ERM and Keppel in that particular timeline. Any data outside the timeline is out of this SPO scope.

1.3 KEY FINDINGS

ERM is of the opinion that Keppel's SPTs align with the Sustainability Linked Bond Principles (June 2023) and the Sustainability Linked Loan Principles (February 2023). This assessment is based on the following:

1. **Selection of KPIs:** ERM considers the selected KPIs to be adequate based on materiality for the various industries of Keppel's businesses, alignment with Keppel's overall sustainability strategy and other KPIs characteristics. KPIs are measurable and quantifiable on a consistent methodological basis, with the KPIs benchmarked to external frameworks and standards.

   It is understood that the proposed KPIs cannot, in and of themselves, be representative of Keppel's overall sustainability strategy and cover all material topics and targets in the sectors which Keppel has business units in. In the future, Keppel may wish to develop other KPIs relating to other material topics, including Sustainable Products and Services; Water and Wastewater Management; Health and Safety; Human Capital Development/Diversity, Equity and Inclusion.

[1] Providers of sustainability-linked financing may request from Keppel the actual names of companies used by ERM in this assessment.

2. **Calibration of SPTs:** All SPTs are aligned with Keppel's overall sustainability strategy and the Singapore Green Plan. While Keppel has clear strategies on achieving SPT 1, SPT 2 and SPT 3, it is noted that the achievement of SPT 2 may be affected by external factors such as market conditions, regulatory factors and the availability of renewable energy assets. Nonetheless, with the various measures Keppel has put in place under KPI 2, ERM is of the opinion that Keppel's multi-pronged approach under KPI 2 is strongly credible. ERM considers the KPI 1, KPI 2 and KPI 3 to be strongly ambitious.
3. **Loan Characteristics:** ERM understands that Keppel will link the financial structure of each SLFT to one or more SPTs. Coupon/redemption prices and interest rate adjustments are subjected to Keppel's yearly performance in achieving the selected SPTs.
4. **Reporting:** Keppel has committed to reporting its annual performance against the SPT for each KPI, after the completion of the necessary assurance, over the period of the relevant SLFT(s) still outstanding. It was understood that the information will be disclosed in Keppel's annual Sustainability Report, or any other documentation deemed suitable and will be made publicly available on its website.
5. **Verification:** ERM understands that Keppel is committed to report on the performance against each SPT for each KPI annually in its Sustainability Report, which will be subjected to external assurance. It was also understood that for SLB and SLL, the performance against the SPTs listed in the SLFF will be likewise disclosed in Keppel's Sustainability Report. For SPT(s) not listed in the SLFF but separately agreed upon between Keppel and its lender(s), the verification report will be made available, at a minimum, to the lender(s).

2. SELECTION OF THE KPIs AND SPTs INCLUDED IN THIS SPO REPORT

Keppel has selected the following Key Performance Indicators (KPIs) related to measuring sustainability improvements and performance of the Company:

- KPI 1: To reduce Scope 1 and Scope 2 absolute carbon emissions;
- KPI 2: To grow Keppel's portfolio of renewable energy assets, including renewable energy imports; and
- KPI 3: To maintain good ratings in Singapore Governance and Transparency Index (SGTI), which is published by the National University of Singapore Business School's Centre for Governance and Sustainability, the Singapore Institute of Directors and CPA Australia.

Targets and the current performance for the SPTs have been summarised by Keppel and are presented in Table 2-1.

TABLE 2-1 KPIs AND SPTs PROPOSED BY KEPPEL FOR THE SUSTAINABILITY-LINKED FINANCING FRAMEWORK

Keppel's KPIs and SPTs for Sustainability Linked Financing											
KPI 1	**Metric**	**Baseline Performance (2020)**	**Current Performance (As of FY2022)**	**SPT**							
				2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
To reduce Scope 1 and Scope 2 absolute carbon emissions	Absolute carbon emissions (tCO_2e)	**172,282 tCO_2e**	**142,004 tCO_2e**	146,440	137,826	129,212	120.597	111,983	103,369	94,755	86,141
Reporting Period				1 Jan -31 Dec 2023	1 Jan -31 Dec 2024	1 Jan -31 Dec 2025	1 Jan -31 Dec 2026	1 Jan -31 Dec 2027	1 Jan -31 Dec 2028	1 Jan -31 Dec 2029	1 Jan -31 Dec 2030
Test Date				After 31 May 2024	After 31 May 2025	After 31 May 2026	After 31 May 2027	After 31 May 2028	After 31 May 2029	After 31 May 2030	After 31 May 2031

Other Notes

- *Definitions and boundaries of the KPI and SPT*
  - *Absolute carbon emissions: Tonnes of carbon dioxide equivalent (tCO_2e)*
  - *Carbon Emissions (tCO_2e) = Annual Scope 1 + Scope 2 market based GHG Emissions*
  - *The boundaries of the KPI includes Keppel and its subsidiaries in operation as of the end date of the reporting period covered in the latest annual/sustainability report. These include Keppel's Fund Management, Investment and Operating Platforms. The Operating Platform includes Keppel's Infrastructure Division, Real Estate Division, Data Centres and Networks Division and M1. The former three are previously known as Keppel Infrastructure, Keppel Land and Keppel Telecommunications & Transportation. Assets held under the separately listed REITs or KIT, or under private funds, are not included in Keppel's Scope 1 and 2.*
- *Strategy*
  - *In order to reduce its Scope 1 and Scope 2 emissions, Keppel has developed a Carbon Mitigation Hierarchy:*
    1. ***Avoiding***
       - *Avoiding pollutive activities and sectors*
       - *Refocusing its portfolio*
    2. ***Reduce***
       - *Improving energy efficiency of operations and of Keppel's supply chain*
    3. ***Replace***
       - *Increase utilization of renewables and clean energy including the purchase of renewable energy credits.*
       - *Invest in carbon capture, utilization and storage/sequestration, where possible.*
    4. ***Offset***
       - *Purchasing quality carbon credits to offset unavoidable emissions.*
  - *Keppel plans to work closely with different stakeholders to achieve its emission reduction goals through a variety of measures including refocusing its portfolio on sustainable solutions, lowering the emissions intensity of its assets, as well as purchasing and using renewable energy.*
  - *Keppel also aims to invest in sustainability-related innovation, clean new businesses, advance circular economy through waste and water treatment solutions, and design and develop high efficiency district cooling.*
  - *Keppel has set a target for 50% of its electricity use to be from renewables by 2025, with a view to reach 100% by 2030.*
  - *Keppel's Real Estate Division has committed to SBTi-validated emission reduction targets covering Scope 1 and 2 and implemented several energy reduction measures across assets. These include the phase out of diesel equipment, equipment upgrades, and optimised cooling infrastructure efficiency.*
  - *M1 (a telecommunication company majority owned by Keppel) has committed to SBTi-validated emissions reduction targets in line with the SBTi Information and Communication Technology (ICT) Sector Guidance.*
  - *Keppel's Data Centres and Networks Division aims to achieve net zero Scope 1 and Scope 2 emissions for all its new data centre assets in Singapore by 2030.*
- *Methodology*
  - *GHG emissions (measured in tCO_2e) will be calculated using methodologies consistent with the Greenhouse Gas (GHG)*

Protocol Corporate Accounting and Reporting Standard[2] with reference to the additional guidance provided in the GHG Protocol: Scope 2 Guidance[3]

- *This KPI will cover Scope 1 and 2 emissions from the following activities:*
  - ***Scope 1 Emissions**: Direct GHG emissions that occur from sources that are controlled or owned by Keppel (i.e., diesel consumption in the diesel generating (DG) sets owned or operated by Keppel; diesel fuel consumption in owned and leased vehicles of Keppel; liquefied petroleum gas consumption; naphtha consumption; compressed natural gas consumption; acetylene consumption; refrigerant loss and top up etc.).*
  - ***Scope 2 Emissions**: Indirect GHG emissions which consists of purchased grid electricity.*
- *The Sustainability department, headed by the Chief Sustainability Officer, is responsible for managing and accounting for its Scope 1 and Scope 2 emissions.*
- *Keppel tracks and monitors its Scope 1 and Scope 2 emissions using an emissions data collection software. The Scope 1 and Scope 2 emissions data from its divisions are presented to the Management Executive Committee, followed by the Board Sustainability and Safety Committee for review every quarter. In the event of any anomalies, clarifications would be raised to the respective divisions and follow-up actions would be taken to reduce emissions in order to reach its net zero goals.*
- *Keppel would obtain external assurance in accordance with the Greenhouse Gas Protocol covering Scope 1, 2 and 3 emissions. It would include verification of Keppel's protocols, processes and controls related to the collection and collation of emissions data based on Keppel's emissions data collection software.*

KPI 2	Metric	Baseline Performance (2020)	Current Performance (As of FY2022)	SPT							
				2023	2024	2025	2026	2027	2028	2029	2030
To grow Keppel's portfolio of renewable energy assets, including renewable energy imports	Renewable energy assets (GW)	Not significant renewable energy assets	2.6 GW	-	-	-	-	≥4.9	-	-	≥7.0
Reporting Period				-	-	-	-	1 Jan 2023 – 31 Dec 2027			1 Jan 2023 – 31 Dec 2030
Test Date				-	-	-	-	After 31 May 2028	-	-	After 31 May 2031

Other Notes

- *Definitions and boundaries of the KPI and SPT*
  - *Absolute increase of renewable energy assets compared to the base year, for the entitles and assets within the Measurement Boundaries.*
  - *GW = Giga-Watt*
  - *Renewable energy is defined to be inclusive of solar, wind, hydroelectric, geothermal, ocean/wave/tidal and green hydrogen powered electricity generation technologies.*
  - *The boundaries of the KPI includes projects announced and projects under development. It also includes investments made by the business trusts or private funds managed by Keppel as well as renewable projects of Keppel's subsidiaries and associates.*
  - *Keppel has also acknowledged that market risks such as availability and feasibility of investment opportunities, and volatility of market conditions are factors beyond Keppel's control.*
- *Strategy*
  - *Keppel has been expanding its renewable energy portfolio, including through renewable energy import, as well as the development or acquisition of renewable energy assets, as well as the acquisition of renewable energy platforms. Keppel is also actively seeking opportunities to import renewable energy into Singapore. It aims to continue growing Keppel's portfolio of renewable energy assets in line with its asset-light strategy as an asset manager and operator.*
  - *Keppel has dedicated investment teams that monitor and track available infrastructure assets, including renewable energy assets. By leveraging on its networks and capabilities, Keppel is committed to and will strive to grow its*

[2] Corporate Standard | GHG Protocol
[3] Scope 2 Guidance | GHG Protocol

renewable energy portfolio.

- *With reference to Keppel's 2022 Annual Report, the following outlines the initiatives that have been implemented or are in plans to enhance Keppel's capabilities and track record in renewables and grow Keppel's portfolio:*
  - *Keppel Infrastructure was awarded a grant from the Energy Market Authority (EMA) and Jurong Town Corporation (JTC) to pilot Singapore's first membrane-based nearshore floating solar photovoltaic (PV) system at Jurong Island. The Pilot PV system consists of three circular platforms, which will have an installed capacity of 1.5 MWp (Megawatt peak);*
  - *In 2022, Keppel and Keppel Infrastructure Trust announced the joint acquisition of interests in European onshore and offshore wind energy assets for SGD$ 679 million. These comprise of stakes in onshore wind farm assets across Norway and Sweden (13.4% stake), as well as German offshore wind farm (20.5% stake). Together, these investments added more than 700 MW to Keppel's renewable energy portfolio.*
  - *Keppel Infrastructure formed Keppel MET Renewables, which is a joint venture with Swiss-based MET Group, to pursue and invest in both greenfield and brownfield solar and onshore wind assets across Western Europe. Keppel MET Renewables was seeded with an initial portfolio of 213 MW of solar projects in Italy and has a target to scale up to at least 1 GW of operating and ready-to-build renewable energy projects.*
  - *In Asia, Keppel, along with Keppel Asia Infrastructure Fund (KAIF) and KAIF's co-investor, increased their stake in Cleantech Solar Asia (an asset company of a leading solar energy platform) from 25.5% to 75.5%. With solar assets located in India and ASEAN, the platform is expected to benefit from the growing demand for renewable energy in the region.*
  - *Keppel Infrastructure is also collaborating with the National University of Singapore and Nanyang Technological University to develop a first-of-its-kind floating hybrid renewable energy system to harness solar, wind, and tidal energy for continuous power generation.*
  - *Since 2022, Keppel is also pioneering a cross-border power trade of renewable energy into Singapore, with the commencement of Singapore's first import of hydropower under Lao PDR – Thailand- Malaysia – Singapore Power integration Project. As of the end of 2022, more than 180 GWh of electricity had been transmitted into Singapore's power grid.*
  - *Moving forward, for 2023 to 2024, Keppel's OneInfra team will continue its asset-light strategy and leverage third-party funds to pursue opportunities in power & renewables, new energy and environmental solutions.*

- *Methodology*
  - *The portfolio of renewable energy assets is on a gross basis, based on projects announced and includes 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.*

KPI 3	Metric	Baseline Performance	Current Performance (As of FY2023)	SPT					
				2025	2026	2027	2028	2029	2030
To maintain a good rating in Singapore Governance and Transparency Index (SGTI)	Percentile Ranking in SGTI	N/A	98.5th percentile (7th out of 474 companies)	>95th percentile for each SPT year, based on the average percentile ranking of the current and preceding year					
Reporting Period				1 Jan - 31 Dec 2025	1 Jan - 31 Dec 2026	1 Jan - 31 Dec 2027	1 Jan - 31 Dec 2028	1 Jan - 31 Dec 2029	1 Jan - 31 Dec 2030
Test Date				After 31 May 2026	After 31 May 2027	After 31 May 2028	After 31 May 2029	After 31 May 2030	After 31 May 2031

Other Notes

- *Definitions and boundaries of the KPI and SPT*
  - *SGTI refers to the index for assessing corporate governance practices of Singapore-listed companies published by the National University of Singapore Business School's Centre for Governance and Sustainability, the Singapore Institute of Directors and CPA Australia.*[4]
  - *The boundaries of the KPI includes Keppel and its subsidiaries in operation as of the end date of the reporting period covered in the latest annual/sustainability report.*
  - *The assessed percentile ranking = (Current percentile ranking + Preceding year's percentile ranking) / 2*
- *Strategy*

[4] Singapore Governance and Transparency Index - Centre for Governance and Sustainability (CGS) (nus.edu.sg)

- *Keppel aims to abide by the Code of Corporate Governance 2018.*
- *Keppel plans to continue striving towards and maintain a strong corporate governance, taking reference from evolving standards, norms and expectations. This includes regular review and refinement of its corporate governance procedure such as board composition, succession planning, board diversity, risk management and internal controls, audit procedures etc.*
- *Keppel has implemented a compliance programme to ensure developed processes and controls regarding good corporate governance are effective and adhered to.*
- *Keppel is also a signatory to the United Nations Global Compact (UNGC) and a member of several industry and regulatory bodies/associations including the Singapore Institute of Directors (SID).*

- *Methodology*
  - *SGTI ranking will be calculated based on the latest published SGTI methodology*[5]

3. ASSESSMENT OF KPIs AND SPTs

3.1 SELECTION OF KPIs

3.1.1 MATERIALITY AND RELEVANCE

In the assessment of materiality and relevance, ERM considers: i) if the KPIs relate to a material impact of Keppel's business based on the materiality map of the business and its sustainability strategy, and ii) the extent of impact from the KPIs that is applicable.

The assessment of materiality and relevance of the selected KPIs are based on the impact metric, as outlined in Table 3-1.

TABLE 3-1 DESCRIPTION OF IMPACT METRICS

Impact Metrics	Description
Direct Impact	Direct influence and have the ability to create distinct changes surrounding the key material topics/themes as a result of the KPI.
Limited Impact	Direct influence but only have the ability to create some distinct changes surrounding the key material topics/themes as a result of the KPI.
Indirect Impact	Able to influence and create changes surrounding the key material topics/ themes as a result of a change caused by the KPI.

3.1.1.1 MATERIALITY AND RELEVANCE TO KEPPEL'S BUSINESS STRATEGY

ERM considers the KPIs to be aligned and relevant to Keppel's key business strategies for achieving sustainable development. Specifically, KPI 1 and 2 relate to the "*Environmental Stewardship*" pillar, while KPI 3 is aligned with its "*Responsible Business*" pillars.

Specifically, KPI 1 and KPI 2 will directly contribute to Keppel's initiatives in addressing environmental problems such as global warming, climate change, and low carbon development through reducing its absolute carbon emissions (Scope 1 and Scope 2) and investing in more renewable energy portfolios. Additionally, ERM considers KPI 1 and KPI 2 to be aligned with Keppel's Vision 2030 announced in 2020. With sustainability at the core of its strategy, Keppel has committed to the following as part of Keppel's Vision 2030:

[5] CGIO_SGTI_Assessment Framework.xlsx (sid.org.sg)

- To halve Keppel's Scope 1 and Scope 2 Carbon emissions by 2030 from 2020 levels and achieve net zero by 2050; and
- To expand Keppel's involvement in renewables, clean energy and decarbonisation solutions, and to grow its renewable energy portfolio to 7 GW by 2030.

KPI 3 is considered to have an impact and contributes to the corporate governance aspect under the "*Responsible Business*" pillar in which Keppel looks to maintain its SGTI ranking in the top 95th percentile based on the average of the current and preceding year.

In 2022, Keppel conducted a comprehensive review of its material ESG factors, supported by an independent consultant, which consolidated an initial list of 18 topics into a more focused list of seven material ESG factors, categorised either as highly critical or critical. The review process also involved in-depth interviews, focus group discussions and an online survey, which reached out to more than 110 internal and external stakeholders. Table 3-2 highlights the relevance of the KPIs to the key material topics identified.

TABLE 3-2 RELEVANCE AND IMPACT OF KPIs TO KEY MATERIAL TOPICS FOR KEPPEL

Key Material Topics	KPI 1: Reducing Scope 1 and Scope 2 Absolute Carbon Emissions	KPI 2: Growing Keppel's Renewable Energy Assets Portfolio, including Renewable Energy Imports	KPI 3: Maintaining Good Ranking in SGTI
Highly Critical			
Climate Action and Environmental Management	**Direct impact** as reducing Scope 1 and Scope 2 absolute carbon emissions would help to combat climate change and global warming.	**Direct impact** as funding of projects relating to renewable energy will lead to an overall decrease in energy consumption from non-renewable sources.	-
Corporate Governance and Risk Management	-	-	**Direct impact** as having a good SGTI ranking is a reflection of having good corporate governance.
Human Capital Management	-	-	-
Health & Safety	-	-	-
Critical			
Economic Contribution to Society	-	-	-
Supply Chain Management	-	-	-
Community Development	-	-	-

Overall, the three KPIs directly relates to key material topics identified as highly critical. Specifically, KPI 1 directly relates to the material topics "*Climate Action and Environmental Management*", and indirectly relates to "*Supply Chain Management*", while KPI 2 directly related only to "*Climate Action and Environmental Management*". For KPI 3, it directly relates to "*Corporate Governance and Risk Management*".

While these KPIs are considered to be relevant and material for the business' sustainability strategy, it is important to acknowledge that these KPIs are not all-encompassing, and there are opportunities to further align with some material ESG topics as explained in Section 3.1.1.6.

3.1.1.2 MATERIALITY AND RELEVANCE TO FOCUSED SECTORS

Due to the diversity of Keppel's operations, the top contributing sectors of Keppel's operation based on Revenue and Net Profit were assessed against international standards and guidelines such as those published by Sustainability Accounting Standards Board (SASB), S&P Global as well as the International Capital Market Association (ICMA) to determine the materiality and relevance of the proposed KPIs.

Based on Keppel's Annual Report 2022, the following business units were reported to have the highest contributions to Keppel's Financial Performance in terms of revenue in FY2022:

- Energy & Environment (reorganised and restructured to Infrastructure Division)
- Urban Development (reorganised and restructured to Real Estate Division)
- Connectivity

However, as announced earlier in 2023, Keppel is embarking on its journey to transform into a global asset manager and operator as part of its Vision 2030 plans and grow its Funds under Management[6]. As such, Keppel's earnings from asset management are expected to increase over time. Hence, comparison to industry standards pertaining to the Asset Management sector were also made to ensure that the assessment remains relevant to Keppel's operation within the expected timeframe of the Sustainability-Linked Financing Framework.

In order to determine the materiality and relevance of the proposed KPIs to industry standards, the following international standards and guidelines were referenced to determine and identify sustainability themes and topics which are most material to the aforementioned sectors:

- **SASB Industry Standard**[7] which includes:
  - Electric Utilities & Power Generators
  - Engineering & Construction Services
  - Renewable Resources & Alternative Energy (including Solar and Wind Technologies)
  - Real Estate and Real Estate Services
  - Telecommunication Services
  - Asset Management & Custody Activities

[6] Keppel embarks on major reorganisation to fast-track transformation into a global alternative real asset manager and operator (keppel.com)
[7] SASB Standards overview - SASB

- **S&P Global Ratings ESG Materiality Mapping**[8] for the following sectors**:**
  - Power Generators
  - Engineering and Construction
  - Real Estate
  - Telecommunication Sector
- **ICMA's Illustrative KPIs Registry 2023**[9]

Based on ERM's assessment, the top three material sustainability themes that were identified across the focused industrial sectors were:

1. **Climate Change (GHG emissions and Energy) –** Including GHG emissions and reduction, climate adaptation and resilience, as well as energy management.
2. **Access and Affordability –** Including policies and initiatives to ensure product or services available and within the financial means of the majority of the intended users, so as to prevent economic disparities.
3. **Sustainable Products and Services –** Including Circular Economy and Material Sourcing to minimise adverse environmental and social impacts, as well as promoting the efficient use of resources and materials.

Both KPI 1 and KPI 2 directly relates to the topic of "*Climate Change*" which was evaluated to be the top recurring material topic across the majority of the focused sectors. By achieving KPI 1, Keppel directly addresses the critical and urgent need to reduce GHG emissions and to mitigate the impacts of climate change, which would allow affected communities to build resilience and adapt to climate change. For KPI 2, through Keppel's commitment to grow its portfolio of renewable energy assets, it promotes the development of renewable energy and transition from traditional sources such as fossil fuels, which would contribute to reducing GHG emissions.

In addition, the financing and acquisition of renewable energy assets promote the advancement and innovation in renewable energy technology which would support the trend of renewable energy becoming increasingly affordable and competitive when compared to traditional fossil fuel. Hence, to a certain extent, adopting KPI 2 may have the capability to ensure the access and affordability of clean and sustainable energy.

While KPI 3 looks to maintain Keppel's SGTI ranking in the top 95th percentile based on the average ranking of two years, strong governance and business ethics is required to achieve the targets set under KPI 3. Noting that whilst KPI 3 does not necessarily align with the top three material sustainability themes identified in the assessment, a robust and capable board leadership is required to ensure that ESG considerations are integrated into Keppel's decision-making processes and that initiatives are properly implemented to achieve the ESG related goals and objectives. Corporate governance can help companies adapt to changing ESG dynamics and build resilience against emerging risks and opportunities associated with climate change, social issues, and shifting market demands.

[8] Materiality Maps | S&P Global Ratings (spglobal.com)
[9] Illustrative-KPIs-Registry-June-2023-220623.xlsx (live.com)

3.1.1.3 ALIGNMENT WITH SDGs

The alignment of the proposed KPIs against the United Nations Sustainable Development Goals (UN SDGs) and the corresponding impacts was also assessed (Table 3-3).

TABLE 3-3 RELEVANCE AND IMPACT OF KPIs TO UN SDGs

Key Materiality Themes	KPI 1: Reducing Scope 1 and Scope 2 Absolute Carbon Emissions	KPI 2: Growing Keppel's Renewable Energy Assets Portfolio, including Renewable Energy Imports	KPI 3: Maintaining Good Ranking in SGTI
SDG No. 7 Affordable and Clean Energy	**Indirect impact** as Keppel would need to adopt renewable energy in order to reduce its Scope 1 and Scope 2 emissions, which may assist in pushing the demand and widespread implementation of clean and sustainable alternative energy sources.	**Direct impact** through the financing of projects relating to renewable energy, which promotes and enhance the availability of clean energy.	-
SDG No.8 Decent Work and Economic Growth	**Direct impact** as the reduction of GHG emissions through the adoption of clean and sustainable alternative energy sources, as well as improving energy efficiency, it will improve Keppel's resource efficiency and support the decoupling of economic growth from environmental degradation.	**Indirect impact** through the investment and acquisition of renewable energy assets which would support diversification and technological innovation, Keppel would assist in and support it's customers and communities in decoupling economic growth from environmental degradation.	**Direct impact** as having labour and employment issues are considered in the SGTI assessment matrix, Keppel would need to ensure the prevention and eradication of labour issues such as forced labour, modern slavery, human trafficking, and the worst forms of Child Labour, in order to maintain a good SGTI rating.
SDG No. 9 Industry Innovation and Infrastructure	**Direct impact** as the adoption of clean and environmentally sound technologies and industrial processes throughout Keppel's operation will support the development of quality, reliable, sustainable, and resilient infrastructure.	**Direct impact** as the investment and acquisition of renewable energy assets facilitate sustainable and resilient infrastructure development, as well as support technology development, research, and innovation.	-
SDG No. 11 Sustainable Cities and Communities	**Direct impact** through financing projects regarding renewable energy, energy efficiency etc., which will result in a reduction in pollution. Financing social projects to increase affordable basic	**Direct impact** through financing projects regarding renewable energy, which will result in a reduction in pollution.	-

	infrastructure will also result in better public facilities and reduce pollution.		
SDG No. 12 **Responsible Consumption and Production**	**Direct impact** as reducing carbon emissions through initiatives such as improving energy efficiency and increasing renewable energy use, would assist Keppel in the sustainable management and efficient use of natural resources.	**Direct impact** as financing projects regarding renewable energy promote and enhance the use of renewable energy.	**-**
SDG No. 13 **Climate Action**	**Direct impact** as initiatives implemented to reduce carbon emissions is a step towards combating climate change and mitigating its impacts.	**Direct impact** through financing renewable energy, which will result in a reduction in carbon emission.	-
SDG No. 14 **Life Below Water**	**Indirect impact** as reducing carbon emissions may minimise marine biodiversity loss due to climate change impacts.	**Indirect impact** as switching and promoting the take up of renewable energy will reduce carbon emissions and hence may minimise marine biodiversity loss due to climate change impacts.	**-**
SDG No. 15 **Life on Land**	**Indirect impact** as reducing carbon emissions may minimise biodiversity loss in the terrestrial ecosystems due to climate change impacts.	**Indirect impact** as switching and promoting the take up of renewable energy will reduce carbon emissions and hence may minimise biodiversity loss in the terrestrial ecosystems due to climate change impacts.	**-**
SDG No. 16 **Peace, Justice and Strong Institutions**	-	-	**Direct impact** as having a good SGTI rating is representative of good governance and anti-corruption and can contribute ensuring the transparency and integrity of the company.

3.1.1.4 ALIGNMENT WITH SINGAPORE'S GREEN PLAN 2030

In February 2021, the Singapore Government unveiled the Singapore Green Plan 2030[10], a nationwide movement to advance the national agenda on sustainable development. It outlines green targets for the next 10 years, strengthening Singapore's commitments under the UN's 2030 Sustainable Development Agenda and Paris Agreement, and positioning Singapore to achieve its long-term net-zero emissions aspiration by 2050. The Green Plan premise on five key pillars:

1. **City in Nature** – Focuses on conserving and extending Singapore's natural capital island-wide and raising animal health and welfare standards in Singapore. Singapore aims to achieve this vision through expanding the Nature Park Network, intensifying nature in gardens and parts, restoring nature into the urban landscape, strengthening connectivity between Singapore's green spaces and enhancing veterinary care and animal management.
2. **Energy Reset** – Focuses on using cleaner energy sources across all sectors. This includes promoting green energy though maximizing solar panel deployment, developing hydrogen as a major decarbonization pathway, increasing efficiency of gas-fired power plants, and promoting green transport and green buildings.
3. **Sustainable Living** – Focuses on reducing carbon emissions and embracing sustainability by consuming less, recycling more, and taking public transport. It also focuses on becoming a Zero Waste Nation powered by a circular economy.
4. **Green Economy** – Focuses on green growth to create new jobs, transform industries, and harness sustainability as a competitive advantage. This includes targeted incentives to aid companies become amongst the best-in-class globally in terms of energy and carbon efficiency, and aid businesses seize new opportunities in areas such as green finance, carbon services and trading, and sustainable tourism.
5. **Resilient Future** – Focuses on building up the national resilience for the future in combatting climate change. This includes shoring up the coastal and flood defences, strengthening food security and building resilience against rising atmospheric temperature.

KPI 1 and KPI 2 has a ***direct impact*** with regards to the "*Energy Reset*" pillar, as the reduction in Scopes 1 and Scope 2 GHG emissions would support the Nation's agenda in moving towards a Low-Carbon economy. Furthermore, KPI 2 may help in supporting the Nation's aim to at least have 2 gigawatt-peak of solar energy deployment by 2030, which can generate enough energy to meet the annual electricity needs of around 350,000 households. However, it should be noted that Keppel's investment in renewable energy portfolio is on a global scale, and hence direct comparison with Singapore's Green Plan may not be fully applicable.

3.1.1.5 OVERALL ASSESSMENT

KPI 1 and 2, which is to reduce Scope 1 and Scope 2 GHG emissions and increase Keppel's renewable energy portfolio, are aligned with the Company's overall sustainability strategy as it contributes directly to one of its sustainability pillars – "*Environmental Stewardship*". KPI 3 is also aligned to its "*Responsible Business*" pillar. Furthermore, with reference to the materiality assessment conducted, "*Climate Action and Environmental Management*" and "*Corporate Governance and Risk Management*" were identified as some of the highly critical material topic with regards to Keppel's operations. Hence, ERM is of the opinion that the proposed KPIs are relevant and material to Keppel's overall sustainability performance.

[10] Singapore Green Plan 2030

Based on the assessment done against international standards of focus sectors which Keppel has operations in, KPI 1 and 2 directly contribute to the topic of "*Climate Change*", which was the top recurring material topic across the majority of the focused sectors. KPI 3 was considered to have an overarching contribution to the material topics as a robust and capable board leadership is required to ensure that ESG considerations are integrated into Keppel's decision-making processes and that initiatives are properly implemented to achieve the ESG related goals and objectives. As such, the KPIs proposed are also aligned with the key material topics identified during the assessment conducted by ERM.

Moreover, the proposed KPIs are considered to contribute directly or indirectly to the various *UN SDG*, including *UN SDG No. 7, 8, 9, 11, 12, 13, 14, 15 and 16*. Both KPI 1 and 2 are also assessed to be aligned with the "*Energy Reset*" pillar under Singapore's Green Plan 2030.

Based on the above, ERM considers the KPIs to be material and sufficient in scope.

3.1.1.6 LIMITATIONS AND RECOMMENDATIONS

As outlined in the sections above, while ERM acknowledges that the selected KPIs are highly relevant and material, it is also important to note that there are other ESG topics identified by international frameworks and standards, and Keppel's materiality assessment, which are considered to be material and could be addressed in the future and beyond the SLFF.

Other ESG topics which Keppel can consider addressing in the future includes:

1. Sustainable Products and Services;
2. Water and Wastewater Management;
3. Health and Safety;
4. Community Development; and
5. Human Capital Development/Diversity, Equity, and Inclusion.

3.1.1.7 KPIs CHARACTERISTICS

In its assessment of the KPIs characteristics, ERM considers: i) whether clear and consistent methodologies are used, and whether the KPIs are measurable or quantifiable; ii) whether the definitions are referenced to external sources, and whether the methodologies can be benchmarked to an external reference.

Methodology – Measurable and Quantifiable on a Consistent Methodological Basis

Regarding KPI 1, the Scope 1 and Scope 2 absolute carbon emissions by Keppel will be calculated using methodologies that are consistent with the GHG Protocol Corporate Accounting and Reporting Standard, where reference to the additional guidance provided under the GHG Protocol: Scope 2 Guidance are made. As the GHG Protocol methodology is a comprehensive international standardized framework for accounting and reporting GHG emissions, ERM is of the opinion that the selected KPI is measurable and quantifiable on a consistent methodological basis.

For KPI 2, the calculation of the output capacity of the renewable energy assets will be based on the declared capacity or installed capacity which refers to the maximum electrical output that a power plant is officially registered, certified or declared to produce. Keppel's declared or installed capacity of the renewable energy assets includes projects in operations and under development, as well as the investments made by business trusts or private funds managed by Keppel.

Under KPI 3, Keppel makes direct reference to its SGTI ranking, the leading index for assessing corporate governance practices of Singapore-listed companies. The SGTI ranking is obtained based on the latest published SGTI methodology and is consistent within Singapore context.

Ability of KPIs to be Benchmarked

KPI 1 refers to the reduction in Scope 1 and Scope 2 carbon emissions which is measured in tonnes of carbon dioxide equivalent (tCO_2e). Public disclosure of GHG emission data of comparable companies in similar industries as Keppel's operating divisions were available and used for benchmarking. Hence a direct comparison between the companies' performances and targets set under the KPI could be made accurately.

KPI 2 refers to the growth of renewable energy assets portfolio which is measured based on the announced capacity of the renewable energy assets. While some asset managers and companies in similar industries as Keppel's operating divisions have publicly disclosed targets relating to renewable energy assets in terms of energy capacity, direct comparison proves to be challenging due to the limited availability of companies of similar nature of business and scale.

KPI 3 uses the SGTI ranking to measure the quality of its corporate governance practices. The SGTI ranking allows for a direct comparison between benchmarked companies' performance since it is a common index used by all Singapore-listed companies.

3.1.1.8 CONCLUSION

Based on the desktop analysis conducted, the selected KPIs are assessed to be aligned and relevant to key material topics as identified, which includes international frameworks and standards, as well as identified companies used for benchmarking.

ERM considers Keppel's indicator definitions and methodologies to calculate each SPT to be relatively clear and consistent, based on the details shared for KPI 1, 2 and 3, and external references made for the methodologies under KPI 1 and 3.

ERM considers the KPIs to be linked to the sustainability performance of Keppel, given that the KPIs align with their business pillars and contributes to their sustainability strategies.

Direct benchmarking for KPI 1 and 3 can be performed, while benchmarking for KPI 2 appeared to be challenging due to the limited availability of companies of similar nature of business and scale.

3.2 CALIBRATION OF SPTs

Keppel has set the following SPTs for its KPIs:

- SPT 1: To reduce Scope 1 and Scope 2 absolute carbon emissions by 50% from 2020 baseline by the end of 2030, in a linear trajectory.
- SPT 2: To grow Keppel's portfolio of renewable energy assets to 7GW by 2030.
- SPT 3: To remain above 95th percentile in SGTI, based on the average percentile ranking of the current and preceding year.

The SPTs were all proposed prior to the origination of the SLFF.

ERM assessed SPTs using the following criteria as outlined in Table 3-4.

TABLE 3-4 SUMMARY OF SPT ASSESSMENT BASED ON CRITERIA

SPT	Criteria		
	Alignment With Keppel's Sustainability Strategy (Materiality)	**Credibility of Strategy to Achieve the SPTs**	**Ambitiousness**
SPT 1 – Reduction in Scope 1 and Scope 2 Carbon Emissions	Strong	Strong	Strong
SPT 2 – Growing Keppel's portfolio of renewable energy assets	Strong	Strong	Strong
SPT 3 – Maintaining good rating in SGTI	Strong	Strong	Strong

Criteria	Definition	Very Strong	Strong	Moderate	Not Aligned
Meaningful	*SPT addresses material topics. Metric is relevant to the topic based on sector best practice.*	Strongly focused on an issue that is tied to core business as included in material topics.	Focused on an issue that is tied to core business as included in material topics.	Relates to an issue tied to core business but not included in material topics.	Not clear how the topic relates to the business model.
Credible	*SPT provides a clear path to impact based on external context, frameworks, or benchmarks.* *Clear process for measuring progress and delivering performance.*	• Impact-focused and quantifiable on a consistent methodological basis. • Clear application of external frameworks or benchmarks. • Clear ownership for SPT achievement across the business. • Rooted in the company's ability to influence.	• Impact-focused and quantifiable. • Informed application of external frameworks or benchmarks. • Display ownership for SPT achievement across the business.	• Quantifiable but not specific. • Somewhat informed by external frameworks or benchmarks. • Some attempt to explain theory of change and some evidence of accountability for delivery.	• Process focused with arbitrary ambition and ambiguous link to company-change process. • No evidence of reference to external frameworks or benchmarks. • Unclear accountability for delivery.

Ambitious	*SPT is sufficiently visionary to drive meaningful change in business.*	Stretch target which will strongly support systemic or industry change.	Stretch target which will somewhat support systemic or industry change.	Somewhat stretching target but lagging behind peers.	Incremental target, in line with SPTs already adopted internally by the borrower.

3.2.1 ALIGNMENT WITH KEPPEL'S SUSTAINABILITY STRATEGY

ERM considers the SPTs selected to be aligned with Keppel's sustainability strategy and targets set (refer to Section 3.1.1.1 on KPI alignment).

3.2.2 CREDIBILITY OF STRATEGY TO ACHIEVE SPTs

3.2.2.1 SPT 1 – TO REDUCE SCOPE 1 AND SCOPE 2 CARBON EMISSIONS (RATING: STRONG)

SPT 1 aims to reduce its Scope 1 and Scope 2 carbon emissions by 50% from 2020 baseline by the end of 2030, in a linear trajectory. This target is in line with the goal of limiting global warming to 1.5°C from pre-industrial levels as per the Paris Agreement:

- To achieve this, Keppel aims to work closely with different stakeholders and employ a variety of measures including refocusing its portfolio on sustainable solutions, lowering the emissions intensity of its assets, as well as purchasing and using renewable energy. This includes investing in sustainability-related innovation, clean new businesses, advance circular economy through waste and water treatment solutions, and design and develop high efficiency district cooling.
- Keppel has also set a target for 50% of its electricity use to be from renewables by 2025, with a view to reach 100% by 2030.
- Keppel's Real Estate Division has committed to SBTi-validated emission reduction targets covering Scope 1 and 2 and implemented several energy reduction measures across assets. These include the phase out of diesel equipment, equipment upgrades, and optimised cooling infrastructure efficiency.
- M1 (a telecommunication company majority owned by Keppel) has committed to SBTi-validated emissions reduction targets in line with the SBTi Information and Communication Technology (ICT) Sector Guidance.
- Keppel's Data Centres and Networks Division aims to achieve net zero Scope 1 and Scope 2 emissions for all its new data centre assets in Singapore by 2030.
- On top of its initiatives to reduce the Scope 1 and Scope 2 emissions, Keppel is also committed to tracking all 15 categories of its Scope 3 emissions, disclosing and obtaining external verification for all relevant categories of Scope 3 emissions. Keppel is also working with its value chain and portfolio of investments to improve their energy efficiency and reduce their emissions where possible.
- Keppel's carbon reduction strategy is overseen by the Board Sustainability and Safety Committee (BSSC) and driven by the Management Executive Committee, which is chaired by the CEO of Keppel. Keppel tracks and monitors its Scope 1 and Scope 2 emissions using an emissions data collection software. Data collected are reviewed by the Management

Executive Committee, followed by the BSSC every quarter. Clarifications and follow-up actions to reduce emissions would be taken in the event of any anomalies.

- Keppel would obtain external assurance in accordance with the Greenhouse Gas Protocol covering Scope 1, 2 and 3 emissions. It would include verification of Keppel's protocols, processes and controls related to the collection and collation of emissions data based on Keppel's emissions data collection software.
- Due to the dynamic nature of growing the business, there might be cases whereby there might be an increase in emissions instead.
- To mitigate the challenges identified, Keppel considers ESG performance, including Scope 1 and Scope 2 emissions and alignment to its own net zero goal, when evaluating investment opportunities. Keppel also aims to actively source for renewable energy and low carbon energy, such as through importing renewable energy to Singapore, developing Singapore's first hydrogen ready power plant, or through the acquisition of Renewable Energy Certificates (RECs).
- Overall, ERM considers the credibility of the strategy for achieving KPI 1 to be '*Strong*'. ERM recognizes that Keppel aims to engage in a variety of carbon reduction strategies which helps to act as a buffer against these external factors. Furthermore, Keppel has put in place strategies to address the external factors identified.

3.2.2.2 SPT 2 – TO GROW KEPPEL'S PORTFOLIO OF RENEWABLE ENERGY ASSETS (RATING: STRONG)

SPT 2 aims to grow Keppel's portfolio of renewable energy assets to 7GW including renewable energy imports, by 2030, from the 2020 baseline, which is not significant:

- To achieve this, Keppel plans to invest in, acquire and develop more renewable energy assets. Keppel has dedicated investment teams exploring available infrastructure assets, including renewable energy assets. Keppel is also actively seeking opportunities to import renewable energy into Singapore. By leveraging its networks and capabilities, Keppel is committed to and will strive to grow its renewable energy portfolio. The 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.
- With reference to Keppel's 2022 Annual Report, the following outlines the initiatives that have been implemented or are in plans to enhance Keppel's capabilities and track record in renewables and grow Keppel's portfolio:
    - Keppel Infrastructure was awarded a grant from the Energy Market Authority (EMA) and Jurong Town Corporation (JTC) to pilot Singapore's first membrane-based nearshore floating solar photovoltaic (PV) system at Jurong Island. The Pilot PV system consists of three circular platforms, which will have an installed capacity of 1.5 MWp (Megawatt peak).
    - In 2022, Keppel and Keppel Infrastructure Trust announced the joint acquisition of interests in European onshore and offshore wind energy assets for SGD 679 million. These comprise of stakes in onshore wind farm assets across Norway and Sweden (13.4% stake), as well as a German offshore wind farm (20.5% stake). Together, these investments added more than 700 MW to Keppel's renewable energy portfolio.

- Keppel Infrastructure formed Keppel MET Renewables, which is a joint venture with Swiss-based MET Group, to pursue and invest in both greenfield and brownfield solar and onshore wind assets across Western Europe. Keppel MET Renewables was seeded with an initial portfolio of 213 MW of solar projects in Italy and has a target to scale up to at least 1 GW of operating and ready-to-build renewable energy projects.
- In Asia, Keppel, along with Keppel Asia Infrastructure Fund (KAIF) and KAIF's co-investor, increased their stake in Cleantech Solar Asia (an asset company of a leading solar energy platform) from 25.5% to 75.5%. With solar assets located in India and ASEAN, the platform is expected to benefit from the growing demand for renewable energy in the region.
- Keppel Infrastructure is also collaborating with the National University of Singapore and Nanyang Technological University to develop a first-of-its-kind floating hybrid renewable energy system to harness solar, wind, and tidal energy for continuous power generation.

- Between 2020 and end-2022, Keppel grew its renewable energy portfolio significantly to 2.6 GW.
- Management explained that Keppel has a multi-pronged strategy to grow its renewable energy portfolio to 7GW by 2030. This includes the following:
  - **Renewable Energy Importation** – Since 2022, Keppel is pioneering a cross-border power trade of renewable energy into Singapore, with the commencement of Singapore's first import of hydropower (up to 100 MW) under the Lao PDR-Thailand-Malaysia-Singapore Power Integration Project (LTMS – PIP). As of the end of 2022, more than 180 GWh of electricity had been transmitted into Singapore's power grid.

    In addition, with reference to the public announcement made by Keppel on 16 March 2023[11], Keppel Infrastructure Holdings (as part of Keppel) has received a conditional approval issued by the Energy Market Authority of Singapore (EMA) for the long-term import and sales of 1 GW of low carbon electricity from renewable energy sources from Cambodia. For this purpose, Keppel Energy has also signed on 15 March 2023 a long-term Power Purchase and Export Agreement (PPEA) with Cambodia's Royal Group Power Company Ltd (RGP), for RGP to supply and export and Keppel to import utility-scale low carbon electricity into Singapore. It is envisaged that the low carbon electricity will be generated and supplied from an integrated energy system of more than 4 GW of installed capacity comprising largely solar power, complemented by hydro and potentially wind, and will be supported by proven energy storage systems, such as pumped hydro storage and batteries.

    Similarly, in another Keppel announcement made on 8 September 2023[12], Keppel, through its Infrastructure Division, has received conditional approval from the Energy Market Authority of Singapore (EMA) for the long-term import and sales of 300 megawatt (MW) of low-carbon electricity from renewable energy sources in Indonesia to Singapore, which is expected to commence end-2027. Keppel's 300 MW electricity import from Indonesia to Singapore is planned to be supplied from more than 2 gigawatts (GW) of installed solar PV plants and integrated with utility-scale battery energy storage systems.

[11] Keppel first to receive Energy Market Authority's conditional approval for large-scale renewable and low-carbon energy import to Singapore (keppel.com)
[12] Keppel receives EMA's conditional approval to import 300 MW of solar power from Indonesia (keppel.com)

- **Renewable Energy Platforms** – Keppel is also investing in various renewable energy platforms as part of its strategy to achieve SPT 2. As disclosed in Keppel Infrastructure Trust 1H 2023 Financial Results[13], Keppel is invested in a European Onshore Wind Platform with 5-year exclusive rights to Fred. Olsen Renewables AS (FORAS) eligible pipeline. The Renewable Energy Platform includes 5 wind farms across Europe with a total operating capacity of 740 MW which is expected to commercialize within Q4 2023 (275 MW operational as of June 2023 in Norway and Sweden). In addition, another 1.2 GW of pipeline opportunities is present in Sweden and the UK within the next 5 years (2022-2027), representing an aggregate potential of 1.9 GW of onshore wind assets.

  Furthermore, Keppel is also invested in a solar energy platform, Cleantech Renewable Assets (CRA), following the announcement made on 15 March 2022[14]. Based on the publication, CRA has a total capacity of over 600 MW across various stages of operations, construction, and development, with its assets located across India and six countries in Southeast Asia (Thailand, Malaysia, Indonesia, Cambodia, Singapore, and Vietnam) and is targeting to grow its asset portfolio to more than 2.5 GW by 2026.
- **Strategic Partnerships** – Keppel has also formed various strategic partnerships, which can potentially grant it access to various renewable energy assets. Keppel's investment in a 465 MW offshore wind farm in Germany (operational as of June 2023), in partnership with Orsted [15], the world's largest offshore wind owner and developer, would facilitate Keppel's access to participate in future pipeline that is under development by Orsted.

  Keppel Infrastructure Trust (KIT) has also announced on 13 June 2022[16] that it signed a non-binding memorandum of understanding ("MOU") with Jinko Power (HK) Company Limited ("Jinko Power") to explore solar farm and energy storage investment opportunities. Under the terms of the MOU, Jinko Power will identify up to 1,000 MW of solar farm and energy storage projects from its high-quality pipeline of assets, which KIT can potentially invest in.

- Keppel has highlighted that the growth of its renewable energy portfolio may not follow a straight-line trajectory year-on-year, as it would depend on various market and regulatory factors, including the pricing and availability of renewable energy assets. Nevertheless, given the multiple channels through which Keppel plans to grow its renewable energy portfolio as well as the progress that it has achieved since 2020, Keppel believes it is capable of achieving the target of 7 GW capacity by end 2030. Keppel has also set an interim target of ≥4.9 GW by end 2027.
- Overall, through Keppel's multi-pronged approach and the potential renewable energy capacity from projects and acquisitions that have been disclosed thus far (estimated potential capacity of 1.4 GW from Renewable Energy Import and 4.4 GW from Renewable Energy Platforms/Assets), ERM considers the strategy in place and Keppel's capability to achieve SPT 2 to be robust and promising. While ERM notes that several projects and acquisitions are in development and have not materialized, which may result in Keppel's varying performance in renewable energy capacity from the forecasted numbers, ERM

[13] 3-kit-1h-2023-presentation-slides.pdf (keppel.com)
[14] Keppel Corporation: Keppel Corporation, jointly with Keppel Capital consortium, to increase stake in Cleantech solar assets (keppel.com)
[15] 3-kit-1h-2023-presentation-slides.pdf (keppel.com)
[16] Keppel Infrastructure Trust signs MOU with industry-leading solar power producer, Jinko Power, to explore solar farm and energy storage investments | Keppel Infrastructure Trust (kepinfratrust.com)

acknowledges that Keppel is working on their pipeline projects and investment opportunities. As such, the mentioned projects and acquisitions should not be viewed as an end-all be-all, but instead as building blocks for Keppel to achieve SPT 2. In addition, through strategic partnerships and setting an interim target for 2027, further demonstrates Keppel's foresight and commitment in achieving KPI 2. However, it is also to be mentioned that external factors such as market volatility, regulatory factors and the availability of renewable energy assets still pose significant impacts and challenges in achieving KPI 2. As such, ERM considers the credibility of the strategy in achieving KPI 2 to be '*Strong*'.

3.2.2.3 SPT 3 – TO MAINTAIN GOOD RATING IN SGTI (RATING: STRONG)

SPT 3 aims to maintain Keppel's SGTI ranking above the 95th percentile, based on the average percentile ranking of the current and preceding year for all SPT years:

- To achieve this, Keppel plans to continue striving towards and maintain a strong corporate governance, taking reference from evolving standards, norms and expectations. This includes regular review and refinement of its corporate governance procedure such as board composition, succession planning, board diversity, risk management and internal controls, audit procedures etc.
- As mentioned in Keppel's Annual Report 2022[17], Keppel has also put in place a compliance programme which is subjected to periodic review. Standards which the programme adhere to includes topics under Board and Senior Management Commitment, Policies and Procedures, Periodic Risk-based Review, Training and Orientation, Internal Reporting, Communication and Investigation, Enforcement and Discipline, Third-Party Relationships, Mergers, Acquisitions and Corporate Restructuring, and Monitoring and Developments.
- Keppel is also a signatory to the United Nations Global Compact (UNGC) and a member of several industry and regulatory bodies/associations including the Singapore Institute of Directors (SID).
- Keppel plans to closely monitor the latest developments in corporate governance and participates regularly in industry consultations and conferences on corporate governance, such as those organised by SID. As part of its efforts to stay abreast on the latest developments in corporate governance, Keppel organises talks by industry experts with the Board or with Keppel's management and staff on emerging issues of concern to the Company.
- Keppel considers various external factors, including rising governance and transparency standards, changes to the SGTI ratings methodologies, improving performance among SGX-listed companies to potentially affect its ability in achieving the SPT.
- ERM notes that Keppel has in place various measures and checks to ensure good corporate governance is maintained in the Company. ERM also recognises Keppel's active involvement in keeping up to date with the latest national and international developments regarding corporate governance. These actives steps are seen as measures against the external factors identified. Overall, ERM considers the credibility of the strategy for achieving SPT 3 to be '*Strong*'.

[17] Keppel Corporation - Annual Report 2022

3.2.2.4 CLEAR BASELINE DEFINITION, AND VERIFICATION PERIOD

The baseline for SPT 1 refers to the Scope 1 and Scope 2 absolute carbon emissions in 2020. The baseline definition obtained external assurance in accordance with the Greenhouse Gas Protocol.

For SPT 2, the baseline refers to Keppel's portfolio of renewable energy assets in 2020.

No baseline was set for SPT 3 since the SGTI ranking is independent of the performance from previous years.

It was mentioned that the SPTs might be adjusted in the future due to events not directly related to sustainability performance, such as potential 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.

3.2.3 AMBITIOUSNESS

To determine the ambitiousness of the SPTs, ERM considers: i) whether the SPT represent a material improvement beyond the business-as-usual (BAU) trajectory, ii) how the SPT compare to past performance over the last 3 years, iii) whether the SPT is comparable to targets set by peers or external reference, and iv) whether the SPT reference science, if applicable.

Keppel is a global asset manager and operator with involvement in sustainability-related solutions in the areas of infrastructure, real estate, and connectivity. Due to the lack of direct peers to Keppel, ERM took an integrated and holistic approach in accessing the ambitiousness of the proposed SPTs taking reference from companies in similar industries as Keppel's operating divisions, namely the Asset Management Division, Infrastructure Division, Real Estate Division and Connectivity Division.

3.2.3.1 SPT 1 – TO REDUCE SCOPE 1 AND SCOPE 2 CARBON EMISSIONS (RATING: STRONG)

TABLE 3-5 SPTs UNDER KPI 1

KPI Description	Metric	Past Performance			SPT							
		2020 (Base line)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
To reduce absolute Scope 1 and Scope 2 carbon emissions	Absolute carbon emissions (tCO_2e)	172,282	157,122	142,004	146,440	137,826	129,212	120,597	111,983	103,369	94,755	86,141
	N/A		-8.80%	-9.62%	+3.12%	-5.88%	-6.25%	-6.67%	-7.14%	-7.69%	-8.33%	-9.09%

ERM was able to take reference from other asset managers and companies in similar industries as Keppel's operating divisions to assess the ambitiousness of SPT 1: material improvements that goes beyond BAU and past performance and comparison against targets set by benchmarked companies.

ERM notes that the SPT 1 presents a material improvement against BAU and historical performance. Keppel has a long-term goal to halve its Scope 1 and Scope 2 absolute carbon emissions by 2030 and achieve net zero by 2050. To achieve this goal, Keppel has set a linear reduction trajectory with yearly targets set at a reduction of 5-6% per SPT year. ERM notes that the percentage reduction in 2021 and 2022 of -8.80% and -9.62% is higher than the projected reduction rates. However, that is understandable given that reducing absolute carbon emissions might get progressively more challenging over the years as Keppel would have to adopt strategies which are more advanced or complex in implementation in order to reduce its absolute carbon emissions in line with the proposed trajectory.

Based on a comparison against reduction targets from companies in similar industries as Keppel's operating divisions, it is evident that Keppel is relatively aggressive in its carbon reduction targets as it aims to reduce its Scope 1 and Scope 2 emissions by a larger percentage of 50% by 2030.

Beyond Scope 1 and 2, some companies in similar industries as Keppel's operating divisions have set goals to reduce its Scope 3 emissions. While Keppel has not set Scope 3 reduction targets, it has mentioned its plans to continue refining its Scope 3 disclosure and aims to reduce its Scope 3 emissions where possible. While Scope 3 is not within the boundaries of KPI 1, Keppel can consider looking into setting Scope 3 reduction targets in future SLFF since it accounts for most of its emissions (based on its Sustainability Report 2022, Scope 3 emissions accounts for 97.8% of its total carbon emissions). Based on the Sustainability Report, Keppel can consider reducing its Scope 3 emissions from categories which produces higher levels of emissions such as Category 11: Use of sold products (69% of Keppel's total Scope 3 emissions), Category 1: Purchased goods and services (21% of Keppel's total Scope 3 emissions) and Category 15: Investments (5% of Keppel's total Scope 3 emissions). Nonetheless, ERM considers KPI 1 to be '*Strong*' in its ambitiousness.

3.2.3.2 SPT 2 – TO GROW KEPPEL'S PORTFOLIO OF RENEWABLE ENERGY ASSETS (RATING: STRONG)

ERM was able to use the following benchmarks to assess the ambitiousness of SPT 2: material improvements against past performance, and comparison against targets set by benchmarked companies.

With regards to SPT 2, Keppel aims to grow its portfolio of renewable energy assets, which includes projects under development, in operations and investments made by business trusts or private funds managed by Keppel, with an announced capacity of 7 GW by 2030 from a baseline of 1.1 GW in 2021. The historical performance of KPI 2 are as follows:

- Not significant portfolio of renewable energy assets in 2020;
- 1.1 GW in 2021; and
- 2.6 GW in 2022.

Referencing to its 2022 performance in SPT 2, Keppel is committed to achieve an increase in the capacity of its renewable energy assets portfolio by 2.7 times at the end of 2030, or within a period of eight years.

For reference, the International Energy Agency (IEA) has published an article[18] outlining the potential updates to be made this year to the IEA's Global Roadmap to Net Zero by 2050 ahead of the COP28 Climate Change Conference. Based on the article, it was mentioned that it would be crucial for the global renewable energy capacity to be tripled by 2030 in order to keep the target of limiting global warming threshold to 1.5°C within reach.

While reviewing Keppel's target against targets set by other asset managers and companies in similar industries as Keppel's operating divisions, several companies, ERM noted that several companies have set higher targets in terms of absolute renewable energy capacity. Nonetheless, it is important to note that direct comparisons were difficult due to differences in business operations and scales of the companies. ERM notes that Keppel's 2030 target in SPT 2 involves 6.4 times increase in performance data compared to 2021, which is a significant proportionate increase. ERM acknowledges that the targets set by Keppel under KPI 2 represent a material improvement from the BAU scenario whereby Keppel is committing to achieve a significant proportionate increase in its renewable energy assets portfolio by 2030, in which significant investments, development and collaborations will have to be made in order to achieve SPT 2. Hence, ERM considers the ambitiousness of SPT 2 to be '*Strong*'.

[18] Tripling renewable power capacity by 2030 is vital to keep the 1.5°C goal within reach – Analysis - IEA

3.2.3.3 SPT 3 – TO MAINTAIN GOOD RATING IN SGTI (RATING: STRONG)

TABLE 3-6 SPTs UNDER KPI 3

Past SGTI Ratings			SPT
2021	**2022**	**2023**	**2024-2030**
98.5% (8th out of 519 companies)	98.2% (9th out of 489 companies)	98.5%[19] (7th out of 474 companies)	Above 95% based on the average percentile ranking of the current and preceding year, for each SPT year. (Ranked at least top 23 on average based on rankings in the latest 2 consecutive years assuming 474 companies in both years)

Regarding KPI 3, an assessment against its past performance was undertaken. Based on Table 3-8, ERM notes that for the past 3 years, Keppel has been above the 98th percentile. While the yearly SPTs is slightly lower than the rankings from the past 3 years, ERM notes that external factors such as rising governance and transparency standards, changes to the SGTI ratings methodologies, improving performance among SGX-listed companies can potentially lower Keppel's ranking. Furthermore, to meet the SPT, Keppel has to minimally rank 23 (assuming the number of companies does not change from 2023) on average based on the rankings in the latest 2 consecutive years, which presents considerable amount of effort and consistency to achieve such rankings.

While other Singapore listed companies have strategies and procedures in place for good corporate governance, it should be noted that there was no readily available information that these companies have set targets on SGTI rankings.

Overall, given that Keppel envisioned itself to be "best in class" in its corporate governance, ERM considers the ambitiousness of SPT 3 to be '*Strong*'.

3.2.4 CONCLUSION

The proposed SPTs are aligned with Keppel's sustainability strategies and aligned to support its long-term goals. It was noted that the SPTs present long-term targets. ERM recommends that year-on-year targets could be formalised as part of the framework to show its year-on-year commitment on sustainability.

Keppel's strategies are relatively clear on how to achieve the SPTs and have identified potential factors outside of Keppel's control that may affect the achievement of the SPTs. While SPT 2 may be influenced by external factors such as the market conditions and availability of renewable energy assets, Keppel has in place a multi-pronged approach to achieve its target. However,

[19] CGS-SGTI-2023-General-Category-Ranking-Results-by-Scores.pdf (sid.org.sg)

Keppel could develop strategic plans or safeguard measures to address the external factors identified, so as to provide greater assurance in achieving the SPT.

ERM assessed the SPT 1 and 2 to be '*Strong*' in their ambitiousness level as it shows material improvement against its past performance and appears to be on par with the companies used for benchmarking. Even though SPT 3 falls slightly short when compared against its past performance, SPT 3 was rated to be '*Strong*' in its ambitiousness given the dynamics of the SGTI methodologies and that it is relative to the performance from other companies.

4. LOAN CHARACTERISTICS

Keppel will link the financial structure of each SLFT to one or more SPTs. Keppel and its lender(s) have had meaningful discussions, including but not limited to the following topics:

- Keppel's rationale for selecting the SPTs/KPIs (i.e., materiality)
- Keppel's rationale for setting the targets
- How Keppel intends to achieve such SPTs
- Reporting period and timeline
- Annual independent and external performance verification process

The key feature of sustainability linked loans and sustainability linked bonds is that specific economic outcomes are linked to whether the selected predefined SPTs are met. It is understood that Keppel and its lender(s) have discussed and agreed on the associated economic outcomes for different SPT performance scenarios.

For each SLB issued under the framework, there will be 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 issuance. For each SLL, the pricing adjustment mechanism will be discussed with the lender(s), 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.

5. REPORTING

Keppel will disclose the progress of the selected KPIs and performance against the SPTs once a year over the period of the relevant SLFT(s) still outstanding. ERM understands that Keppel will include the disclosure in its Sustainability Report or any other documentation it deems suitable, and will be publicly available on its website.

During reporting, details around the underlying methodology and/or assumptions should be provided, where known, including any changes to the listed methodology in the notes of each KPI in the SPO. ERM recommends that Keppel develops a methodology statement for each SPT. The statement should include, but is not limited to the following:

- Assumptions and definitions to set clear boundaries.
- The approach to monitoring and measuring performance (i.e., approach and timeline of data collection and management).
- The approach and timeline for disclosing and reporting progress (i.e., what information will be reported, and will information be publicly disclosed on the company website and/or sustainability report or will performance data be shared privately with the lenders).

6. VERIFICATION

ERM understands that Keppel has confirmed their intention to have external verifiers review its SPT performance during each test date, as part of the external assurance of Keppel's Sustainability Report. Keppel has defined the external verifier to be a qualified provider of third-party assurance or attestation services, an auditor or specialised consultancy.

ERM understands that for SLB and SLL, the performance against the SPTs listed in the SLFF will be disclosed in its Sustainability Report, which will be subjected to external assurance. For SPT(s) not listed in the SLFF but separately agreed upon between Keppel and its lender(s), the verification report will be made available, at a minimum, to the lender(s).

7. CONCLUSION AND KEY RECOMMENDATIONS

ERM is of the opinion that Keppel's Sustainability Performance Targets align with the Sustainability Linked Loan Principles (February 2023) and Sustainability Linked Bond Principles (June 2023). This assessment is based on the following aspects below.

7.1 SELECTION OF KPIs

ERM considers the KPIs adequate based on the materiality for the industry, alignment with Keppel's overall sustainability strategy and ability to be measured. The KPIs are measurable and quantifiable on a consistent methodological basis, and able to be benchmarked to external frameworks and standards.

7.2 CALIBRATION OF SPTs

In its assessment of the SPTs, ERM considers the SPTs based on the following criteria: i) alignment with Keppel's sustainability strategy, ii) credibility of strategy to achieve the SPTs, and iii) ambition level of SPTs. The rating scale for the SPT assessment range from 'Not Aligned' to 'Very Strong'.

ERM considers all SPTs to be at least aligned with the business and sustainability strategies put forth by Keppel.

Keppel has also shared relatively clear strategies on how to achieve the SPTs selected. SPT 1 and 3 appears to be strong with diverse strategies in place. While SPT 2 is also rated to be strong in its credibility due to the presence of a multi-pronged approach, constant monitoring is needed to ensure the success of delivering SPT 2 given the possible uncertainty surrounding the market outlook and the availability of renewable energy assets. ERM recommends Keppel to develop a strategic plan or safeguard measures, so that it can modify its strategies when needed and provide greater assurance in achieving the SPTs.

ERM considers the SPT 1 and 2 to be strongly ambitious as it shows material improvement against its past performance and appears to be on par with the companies used for benchmarking. Even though SPT 3 falls slightly short when compared against its past performance, SPT 3 is considered to be strongly ambitious given the dynamics of the SGTI methodologies and that it is relative to the performance from other companies.

7.3 LOAN CHARACTERISTICS

The key feature of sustainability linked loans is that specific economic outcomes are linked to whether the selected predefined SPTs are met. It is understood that Keppel and its lender(s) have discussed and agreed on the associated economic outcomes for different SPT performance scenarios.

For each SLB issued under the framework, there will be a variation in the coupon or redemption price should the selected SPTs not be met. For each SLL, the pricing adjustment mechanism will be discussed with the lender(s), 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.

7.4 REPORTING

Keppel will disclose the progress of the selected KPIs and performance against the SPTs once a year over the period of the relevant SLFT(s) still outstanding. The information will be disclosed in Keppel's annual Sustainability Report, or any other documentation deemed suitable and will be made publicly available on its website.

ERM recommends that Keppel develops a methodology statement for each SPT. The statement should include, but is not limited to the following:

- Assumptions and definitions to set clear boundaries.
- The approach to monitoring and measuring performance (i.e., approach and timeline of data collection and management).
- The approach and timeline for disclosing and reporting progress (i.e., what information will be reported, and will information be publicly disclosed on the company website and/or sustainability report or will performance data be shared privately with the lenders).

7.5 VERIFICATION

ERM understands that for SLB and SLL, the performance against the SPTs listed in the SLFF will be verified during each test date and disclosed in its Sustainability Report, which will be subjected to external assurance for which Keppel will appoint. For SPT(s) not listed in the SLFF but separately agreed upon between Keppel and its lender(s), the verification report will be made available, at a minimum, to the lender(s).

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Environmental Resources Management (S) Pte Ltd

88 Market Street #40-16
Singapore 048948

T: +65 6324 9636
F: +65 6722 0749

www.erm.com