Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Keppel Corporation Limited

Stock code: BN4

Meeting details:
Date: 22 April 2022
Time: 3.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the chairman's statement, the group accelerated the execution of its long-term strategy, "Vision 2030", to guide the company's transformation and growth as one integrated company providing solutions for sustainable urbanisation.

This involves transforming and focusing the business, monetising assets, growing recurring income, as well as working towards the mid to long-term return on equity (ROE) target of 15% per annum.

On 31 March 2022, the company announced the details of the proposed divestment of Keppel Logistics Pte. Ltd for approximately $80 million. The other major transaction that is in progress is the proposed combination of Keppel Offshore & Marine (Keppel O&M) and Sembcorp Marine along with the resolution of Keppel O&M's legacy rigs. The group has deep heritage and a strong association with the offshore & marine sector. The group will begin a new chapter if and when Keppel O&M is divested. Management believes that doing so may trigger a re-rating of the company.

(i) **Given the group's heydays as the world's biggest oil rig builder, has the board carried out an independent review to understand how Keppel O&M is now seen as a drag on the group?**

On 31 March 2022, the company further announced that it will work towards a definitive agreement with Sembcorp Marine by 30 April 2022. In addition, it notified that significant progress has been made on advancing the sale of the legacy rigs and the associated receivables to a separate company.

(i) **With rising oil prices and with it, improving market conditions, would the board be reviewing if the decision to sell Keppel O&M and the legacy rigs is still valid since it was made at the peak of the pessimism in the market? Would the recent improvement in oil prices necessitate a review of the decision and pace of the divestment?**

(ii) **If not, how is the board/management structuring any combination/sale such that the group retains a fair share of the potential upside of the O&M business, the legacy rigs and the receivables?** As noted in the interview with the CEO, the offshore drilling rig market has shown signs of improvement with utilisation and day rates for modern jackups both improving during the year and are expected to rise even further over the next few years (page 14).

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Q2. In the Performance review: Financial review (page 70), the group generated economic value added (EVA) of $204 million. This is a better performance since 2019, but, note that the EVA has significantly declined, especially in the past 5-6 years.

(i) **Can the board/remuneration committee (RC) help shareholders understand if it considers EVA as a key performance indicator (KPI), and one that is well-aligned with the interests of shareholders?**

(ii) **What are the main KPIs (financial and non-financial) used in measuring performance for executive director(s) and the senior management team?**

(iii) **What is the total shareholder return in the past 3 years?**

Each year, the RC has stated that it is of the view that the group's remuneration practices are aligned to the performance for the financial year.

(iv) **Can the RC help shareholders understand if the remuneration framework results in remuneration practices that are aligned to shareholders' interests? Specifically, can the RC help shareholders understand if the level and structure of remuneration are appropriate and proportionate to the sustained performance and value creation (Principle 7 of the Code of Corporate Governance 2018)?**

Q3. In the interview with the CEO, it was highlighted that sustainability is not new for Keppel but it was given even greater importance as part of "Vision 2030".

For the group, sustainability means both running the group's business sustainably, and providing solutions that help governments and its customers get to net zero and contribute to climate action. These net zero commitments by governments and companies around the world will drive demand for renewables, clean energy and decarbonisation solutions. These are areas where the group has the relevant capabilities and track record, and where the group can make a difference to the global decarbonisation agenda.

The group has announced that it targets to halve Scope 1 and 2 emissions by 2030 from 2020 levels, and achieve net zero by 2050.

(i) **Can management showcase to shareholders examples of its renewables, clean energy, decarbonisation and environmental solutions? Does it already have an established leadership position in these areas?**

(ii) **Given that the group is in the business of providing decarbonisation solutions, would it give itself and its solutions more credibility if management sets itself (and achieves) the goal of net zero significantly before 2050, for instance 2035 or 2040?**

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^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)