

# Driving Excellence

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# Driving Excellence

Keppel is a multi-business company committed to providing robust solutions for sustainable urbanisation. As the Manager of Keppel REIT, we are driving excellence in our portfolio of best-in-class assets to deliver long-term, stable returns to our Unitholders.

## Vision

To be a successful commercial real estate investment trust with a sterling portfolio of assets pan-Asia.

## Mission

Guided by our operating principles and core values, we will deliver stable and sustainable returns to Unitholders by continually enhancing our assets and expanding our portfolio.

## Keppel Group's Operating Principles

- 1 Best value propositions to customers.
- 2 Tapping and developing best talents from our global workforce.
- 3 Cultivating a spirit of innovation and enterprise.
- 4 Executing our projects well.
- 5 Being financially disciplined to earn best risk-adjusted returns.
- 6 Clarity of focus and operating within our core competence.
- 7 Being prepared for the future.



View our report online:  
[www.keppelreit.com](http://www.keppelreit.com)

## Key Figures for 2016

### Distributable Income

\$208.1m

Included one-off income of approximately \$10 million. Lower year-on-year (y-o-y) due mainly to the absence of income from the divested 77 King Street and lower income contribution from Bugis Junction Towers.

### Distribution Yield

6.2%

Distribution per Unit of 6.37 cents for the financial year 2016 (FY 2016), and based on the market closing price of \$1.02 per Unit as at 31 December 2016.

### Net Property Income

\$128.4m

Lower y-o-y due mainly to the absence of income from the divested 77 King Street and lower income contribution from Bugis Junction Towers.

### Share of Results of Associates and Joint Ventures

\$114.2m

Improved y-o-y with the full-year contribution from the 50% interest in David Malcolm Justice Centre, as well as better performance from One Raffles Quay and 8 Chifley Square.

### All-In Interest Rate

2.51%

All-in interest rate of 2.51% and interest coverage ratio of 4.7 times for FY 2016.

### Fixed-Rate Borrowings

75%

To manage interest rate volatility, fixed-rate borrowings were 75% of total borrowings as at end-2016.

### Weighted Average Lease Expiry (WALE)

6 years

WALE for the overall portfolio was approximately six years and approximately nine years for the top 10 tenants as at end-2016.

### Minimal Leasing Risk

3.9%

Proactive leasing efforts over the past few years have helped to mitigate leasing risk in 2017, with only 3.9% and 1.7% of total portfolio net lettable area due for expiry and review respectively.

## Corporate Profile

Keppel REIT was listed by way of an introduction on 28 April 2006. Today, Keppel REIT is one of Asia's leading REITs with the youngest and largest portfolio of premium Grade A commercial assets in Singapore's prime business and financial districts.

Keppel REIT's objective is to generate stable income and long-term growth for Unitholders by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets in Singapore and pan-Asia.

As at 31 December 2016, Keppel REIT had assets under management of approximately \$8.4 billion comprising interests in eight premium office assets with 11 office towers strategically located in the central business district of Singapore, as well as key Australian cities of Sydney, Melbourne, Brisbane and Perth.

In Singapore, the assets are Ocean Financial Centre (99.9% interest),

Marina Bay Financial Centre (comprising office Towers 1, 2 and 3 and the subterranean mall, Marina Bay Link Mall) (one-third interest), One Raffles Quay (one-third interest) and Bugis Junction Towers (100% interest).

In Australia, the assets are 8 Chifley Square in Sydney (50% interest), 8 Exhibition Street in Melbourne (50% interest in the office building and two retail units, as well as a 100% interest in the three adjoining retail units), 275 George Street in Brisbane (50% interest), as well as the David Malcolm Justice Centre in Perth (50% interest).

Keppel REIT is sponsored by Keppel Land Limited, one of Asia's leading property companies. It is managed by Keppel REIT Management Limited, a wholly-owned subsidiary of Keppel Capital Holdings Pte. Ltd. (Keppel Capital). Keppel Capital is a premier asset manager in Asia with assets under management of approximately \$25 billion in real estate, infrastructure and data centre properties in key global markets.



*Today, Keppel REIT is one of Asia's leading REITs with the youngest and largest portfolio of premium Grade A commercial assets in Singapore.*

# Financial Highlights

## Actuals

for the financial year ended 31 December

	2016 \$'000	2015 \$'000	Change %
Property income	<b>161,252<sup>1</sup></b>	170,347 <sup>2</sup>	(5.3)
Net property income	<b>128,370</b>	137,465	(6.6)
Share of results of associates <sup>3</sup>	<b>83,460</b>	75,695	10.3
Share of results of joint ventures <sup>4</sup>	<b>30,789</b>	17,163	79.4
Distributable income	<b>208,123</b>	217,268	(4.2)

## Balance Sheet

as at 31 December

	2016 \$'000	2015 \$'000	Change %
Total assets	<b>7,535,325</b>	7,425,418	1.5
Total liabilities	<b>2,636,767</b>	2,647,570	(0.4)
Unitholders' funds	<b>4,746,717</b>	4,626,021	2.6
Perpetual securities	<b>149,701</b>	149,719	(0.01)
Total gross borrowings <sup>5</sup>	<b>3,329,450</b>	3,340,755	(0.3)
Value of deposited properties	<b>8,649,064</b>	8,496,235	1.8
Market capitalisation <sup>6</sup>	<b>3,357,448</b>	2,990,996	12.3
Net asset value per Unit (\$)	<b>1.44</b>	1.44	–
Adjusted net asset value per Unit (\$) – excluding distributable income	<b>1.43</b>	1.42	0.7

## Financial Ratios

	2016	2015	Change %
Distribution per Unit (DPU) (cents)	<b>6.37<sup>7</sup></b>	6.80 <sup>8</sup>	(6.3)
Distribution yield (%) <sup>6</sup>	<b>6.2</b>	7.3	(15.1)
Interest coverage ratio (times)	<b>4.7</b>	4.4	6.8
All-in interest rate (%)	<b>2.51</b>	2.54	(1.2)
Aggregate leverage (%)	<b>38.5</b>	39.3	(2.0)

<sup>1</sup> Property income in 2016 comprised property income from Bugis Junction Towers, 99.9% interest in Ocean Financial Centre (the Ocean Financial Centre Interest), 50% interest in 275 George Street (the 275 George Street Interest), 50% interest in the office building and two retail units at 8 Exhibition Street, as well as 100% interest in the three adjoining retail units acquired on 12 October 2015 (the 8 Exhibition Street Interest) and 77 King Street Office Tower for the period from 1 January 2016 to 29 January 2016.

<sup>2</sup> Property income in 2015 comprised property income from Bugis Junction Towers, the Ocean Financial Centre Interest, the 275 George Street Interest, the 8 Exhibition Street Interest and 77 King Street Office Tower.

<sup>3</sup> Share of results of associates comprised Keppel REIT's one-third share of the respective total return after tax of One Raffles Quay Pte Ltd (ORQPL), BFC Development Limited Liability Partnership (BFCDLLP) and Central Boulevard Development Pte. Ltd. (CBDPL).

<sup>4</sup> Share of results of joint ventures comprised Keppel REIT's 50% interests in Mirvac 8 Chifley Trust's (M8CT) and Mirvac (Old Treasury) Trust's (MOTT) total return after tax.

<sup>5</sup> Included Keppel REIT's share of deferred payments in relation to the development of the Ocean Financial Centre carpark and retail podium, and share of borrowings carried at ORQPL and CBDPL.

<sup>6</sup> Based on the market closing price of \$1.02 per Unit as at 31 December 2016 for FY 2016, and \$0.93 per Unit as at 31 December 2015 for FY 2015.

<sup>7</sup> Total DPU for FY 2016 of 6.37 cents was based on 1.68 cents, 1.61 cents, 1.60 cents and 1.48 cents announced during the 1Q 2016, 2Q 2016, 3Q 2016 and 4Q 2016 results announcements respectively.

<sup>8</sup> Total DPU for FY 2015 of 6.80 cents was based on 1.70 cents, 1.72 cents, 1.70 cents and 1.68 cents announced during the 1Q 2015, 2Q 2015, 3Q 2015 and 4Q 2015 results announcements respectively.

## Quarterly Results

	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Full Year
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000
<b>Distributable income</b>									
<b>2016</b>	<b>54,438</b>	<b>26</b>	<b>52,517</b>	<b>25</b>	<b>52,452</b>	<b>25</b>	<b>48,716</b>	<b>24</b>	<b>208,123</b>
2015	54,009	25	54,820	25	54,408	25	54,031	25	217,268
<b>Property income</b>									
<b>2016</b>	<b>41,167</b>	<b>26</b>	<b>40,552</b>	<b>25</b>	<b>39,532</b>	<b>24</b>	<b>40,001</b>	<b>25</b>	<b>161,252</b>
2015	42,405	25	42,964	25	42,183	25	42,795	25	170,347
<b>Net property income</b>									
<b>2016</b>	<b>32,910</b>	<b>26</b>	<b>32,458</b>	<b>25</b>	<b>31,580</b>	<b>25</b>	<b>31,422</b>	<b>24</b>	<b>128,370</b>
2015	34,587	25	34,711	25	33,396	25	34,771	25	137,465
<b>Share of results of associates</b>									
<b>2016</b>	<b>18,786</b>	<b>22</b>	<b>20,106</b>	<b>24</b>	<b>24,661</b>	<b>30</b>	<b>19,907</b>	<b>24</b>	<b>83,460</b>
2015	20,367	27	19,953	26	18,513	25	16,862	22	75,695
<b>Share of results of joint ventures</b>									
<b>2016</b>	<b>6,807</b>	<b>22</b>	<b>8,346</b>	<b>27</b>	<b>7,890</b>	<b>26</b>	<b>7,746</b>	<b>25</b>	<b>30,789</b>
2015	4,043	23	4,056	24	3,907	23	5,157	30	17,163

## Chairman's Statement

The Manager is committed in our drive for excellence to capture and deliver value to our Unitholders over the long term.



**Dr Chin Wei-Li,  
Audrey Marie**  
Chairman

### Dear Unitholders,

2016 was a challenging year for the office market, particularly in Singapore where the emergent supply of office space led to aggressive leasing efforts by these nascent landlords.

In navigating the competitive environment, Keppel REIT Management, as the Manager of Keppel REIT, adopted a proactive portfolio management strategy to ensure its assets are well-leased to a diverse and quality tenant base. The Manager also applies a tenant-centric approach in its leasing efforts to address tenants' business needs for restructuring.

In the face of the glut of office space, the Manager has been proactively renewing and forward renewing leases over the past few years to retain tenants. This pre-emptive leasing approach, especially in the last two years, has helped to mitigate leasing risk for the REIT in 2017.

### Key Developments in 2016

Achieved distributable income of \$208.1 million and distribution per Unit of 6.37 cents.

Divested 77 King Street in Sydney in January 2016, reaping a divestment gain of A\$28 million.

Maintained a prudent capital management approach with all-in interest rate of 2.51% and about 75% of borrowings on fixed rates.

Continued its pre-emptive leasing approach which has helped to mitigate leasing risk for Keppel REIT in 2017.

Achieved tenant retention rate of 95% and committed portfolio occupancy rate of 99.2% as at end-2016.



### Delivering Creditable Returns

Despite the unfavourable environment, Keppel REIT achieved distributable income of \$208.1 million and total distribution per Unit of 6.37 cents for the financial year 2016 (FY 2016), translating to a yield of 6.2%<sup>1</sup>.

Distributable income for FY 2016 was lower compared to the previous year due mainly to the absence of income from 77 King Street in Sydney and lower income contribution from Bugis Junction Towers. During the year, the Manager divested its interest in 77 King Street for A\$160 million, reaping a divestment gain of A\$28 million.

However, the decline in distributable income was offset by higher share of results of associates and joint ventures due to better performance from One Raffles Quay and 8 Chifley Square in Sydney, as well as a full-year contribution from Keppel REIT's share of David Malcolm Justice Centre in Perth, which was handed over to the Government of Western Australia in November 2015.

Meanwhile, the Manager continued its prudent approach on the capital management front. For FY 2016, Keppel REIT's all-in interest rate was at 2.51%, and interest coverage ratio at 4.7 times. About 75% of total borrowings are on fixed rates, limiting the REIT's exposure to interest rate volatility. Aggregate leverage was 38.5%, and the weighted average term to maturity of borrowings at 3.5 years, with no refinancing requirements till 2018 and beyond.

### Optimising Portfolio Performance

During the year, the Manager concluded a total of 136 new, renewal, forward renewal and review leases. Keppel REIT's committed portfolio occupancy achieved a rate of 99.2%.

Cyclical headwinds continued to exert pressure on office rents during the year, including those of Keppel REIT's properties. All concluded leases in the REIT's portfolio saw an average rent reversion of -9% in FY 2016.

However, given the quality of Keppel REIT's assets, the average signing rent for the Singapore office leases<sup>2</sup> was above the average Grade A rent in the CBD for 2016.

The portfolio tenant retention rate also remained high at 95%, as a result of ongoing tenant engagement efforts. As at end-2016, the weighted average lease expiries for Keppel REIT's overall portfolio and top 10 tenants were approximately six years and nine years respectively.

### Driving Excellence

Looking ahead, increased protectionism and anti-globalisation sentiments in developed economies will likely dampen business prospects. Mounting global uncertainties, slow economic growth and rising interest rates are expected to temper the Singapore office leasing market in 2017.

Keppel REIT's portfolio of quality assets and its high committed occupancy as at end-2016 will help the REIT weather the supply and demand imbalance in the office sector. However, rental rates will continue to come under pressure in the Singapore office market. The Manager will have to respond to this increasingly challenging environment by being more innovative, agile and disciplined. The Manager will also continue its strategy of adding value to its portfolio through selective acquisitions that are aligned with the REIT's investment mandate.

On the capital management front, a rising interest rate environment will result in higher borrowing costs. The Manager will remain vigilant and adhere to a disciplined approach to mitigate financing, interest rate and foreign exchange risks.

### Distribution Yield

# 6.2%

Based on the distribution per Unit of 6.37 cents and market closing price per Unit of \$1.02 as at end-2016.

### Global Real Estate Sustainability Benchmark

# 1<sup>st</sup>

Maintained its position as the Regional Sector Leader for the Office Sector in Asia for the third consecutive year.

<sup>1</sup> Based on the market closing price of \$1.02 per Unit as at 31 December 2016.

<sup>2</sup> Based on a simple average calculation.

## Chairman’s Statement

In terms of corporate restructuring, Keppel Corporation’s consolidation of the shareholding interests in the four asset managers, including Keppel REIT Management, as well as Alpha Investment Partners (Alpha), Keppel Infrastructure Fund Management, and a 50% interest in Keppel DC REIT Management, under Keppel Capital Holdings Pte. Ltd. (Keppel Capital) was completed in July 2016.

Harnessing synergies across the four asset managers, the Manager will be able to leverage the increased scale, larger investor base, wider geographic coverage and greater resources from Keppel Capital to manage the REIT more effectively, and have access to a larger universe of opportunities.

### Committing to Sustainability

The Manager is committed to best practices in environmental, social and governance (ESG) drivers to create a sustainable future.

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**The Manager is committed to best practices in environmental, social and governance management to achieve positive and sustainable outcomes for the environment, our stakeholders and the community at large.**

As a leading landlord of premium Grade A developments, we are committed to international best practices to achieve positive and sustainable outcomes for the environment, our stakeholders and the community at large.

In 2016, we made significant strides in our sustainability journey, and our efforts have been recognised by industry peers, as well as green accreditation bodies.

Keppel REIT achieved top rankings in the Global Real Estate Sustainability Benchmark 2016. It was named the Regional Sector Leader for the Office Sector in Asia for the third consecutive year, reaffirming the Manager’s commitment towards excellence in environmental performance. Globally, Keppel REIT ranked 2nd across all 733 diversified entities and sectors as well as among 173 companies in the office sector, up from 3rd position last year in both categories. The REIT is also 1st among listed real estate companies globally.

Keppel REIT was also among the constituents of the Singapore Exchange’s (SGX) flagship SGX Sustainability Leaders Index that was launched in May 2016 to measure the ESG performance of best-in-class sustainability leaders listed in Singapore.

In July 2016, Keppel REIT was conferred the Best Annual Report (Gold) award

*The Manager adopts a proactive portfolio management strategy to ensure its assets are well-leased to a diverse and quality tenant base.*



*Mounting global uncertainties are expected to temper the Singapore office leasing market in 2017. The Manager will have to respond to this increasingly challenging environment by being more innovative, agile and disciplined.*

in the REITs and Business Trusts category at the Singapore Corporate Awards. The award is testament to the Manager's efforts in upholding clarity, transparency and best practices.

Reaffirming its commitment towards sustainability, the Manager is aligning its 2016 Sustainability Report with the internationally-recognised Global Reporting Initiative (GRI) G4 guidelines. The alignment with internationally-recognised guidelines is part of the Manager's efforts in gearing towards the SGX's mandated requirement for listed entities to report their sustainability performance by 2018.

#### **Acknowledgements**

We are pleased to welcome non-executive and non-independent director, Ms Christina Tan, Chief Executive Officer (CEO) of Keppel Capital and Managing Director of Alpha, as well as non-executive and independent director, Mrs Penny Goh, Co-Chairman and Senior Partner of Allen & Gledhill LLP, on the Board. We look forward to working closely with them as we tap their wealth of experience to create value for Keppel REIT.

On 1 March 2017, we announced the appointment of Mr Tan Swee Yiow as CEO and executive director of the Manager. Mr Tan's familiarity with Keppel REIT and its business operations, coupled with his expertise and in-depth knowledge of the real estate sector, will steer Keppel REIT through the challenging times ahead.

I would also like to take this opportunity to thank my fellow Board members, as well as management and staff for their steadfast dedication and contributions. I would also like to express my deep appreciation to our Unitholders, business partners and tenants for their unwavering confidence and support as we continue in our drive for excellence to capture and deliver value to our Unitholders.

Yours sincerely,



**Dr Chin Wei-Li, Audrey Marie**  
Chairman  
2 March 2017



*For excellence in environmental performance, Keppel REIT maintained top rankings in the Global Real Estate Sustainability Benchmark in 2016.*

## Strategic Direction

Keppel REIT aims to be a successful commercial real estate investment trust with a sterling portfolio of assets in Singapore and key cities pan-Asia.

The Manager will drive excellence by:

Maximising Performance	Enhancing Assets	Achieving Capital Efficiency	Acquiring Quality Assets	Nurturing Talent
Maximising asset performance and managing costs to achieve operational efficiency	Strengthening asset management expertise and capabilities	Maintaining a prudent and disciplined capital management approach	Selecting strategic acquisitions that are aligned with the REIT's investment mandate	Developing a motivated and competent team to drive growth
Executing proactive marketing and leasing strategies to attract and retain a well-diversified tenant base from various business sectors	Maintaining a portfolio of quality office spaces that meets tenants' changing business needs through value creation and enhancement initiatives, where relevant	Optimising capital structure and exploring alternative funding sources	Conducting thorough feasibility studies and comprehensive due diligence on potential acquisitions	Investing in training and development to raise the competency levels of its employees
Maintaining a well-staggered lease expiry profile	Leveraging technology to enhance and improve operations	Extending the debt maturity profile to mitigate refinancing risks	Structuring investments to optimise tax efficiency and allow for repatriation of income from overseas assets	Adopting best-in-class management practices to retain talent
Delivering quality property and customer services to tenants	Ensuring the safety and security of all building occupants	Limiting exposure to fluctuations in interest and foreign exchange rates	Evaluating performance of the properties and recycling of capital, where appropriate, to optimise portfolio	Leveraging technology to raise productivity and enhance workflow efficiencies
Seeking additional income opportunities	Implementing environmentally sustainable features and initiatives, where feasible	Negotiating favourable credit facilities for ongoing operational needs		Promoting wellness to foster a healthy workforce

### Proactive Portfolio Management

The Manager ensures that the REIT's assets are well-leased to tenants across diverse business sectors. It strives to balance the lease expiry and rent review profiles, as well as structure leases with regular rent reviews. The Manager adopts a tenant-centric approach in its leasing efforts to address tenants' business needs for restructuring.

Asset performance and operating costs are monitored closely to ensure that all buildings are operating at optimal levels without any compromise to the quality and service levels, or to the safety and comfort of its occupants.

### Prudent Capital Management

The Manager adopts a prudent approach towards capital management, and leverages the strong credit standing

of the Keppel Group to obtain favourable credit facilities.

The Manager proactively explores alternative funding sources in the debt and equity markets. It also balances the REIT's debt maturity profile, as well as hedges its exposure to fluctuations in interest and foreign exchange rates.

### Sound Investment Strategy

The Manager invests in quality commercial properties that are strategically located within key cities pan-Asia that offer stable income growth and capital appreciation in the mid- to long-term.

The Manager adheres to stringent criteria in its evaluation of potential assets for acquisition. This involves a thorough review of the exposure, risks and returns, as well as the overall value-add of the

assets to Keppel REIT's existing portfolio and future growth expectations.

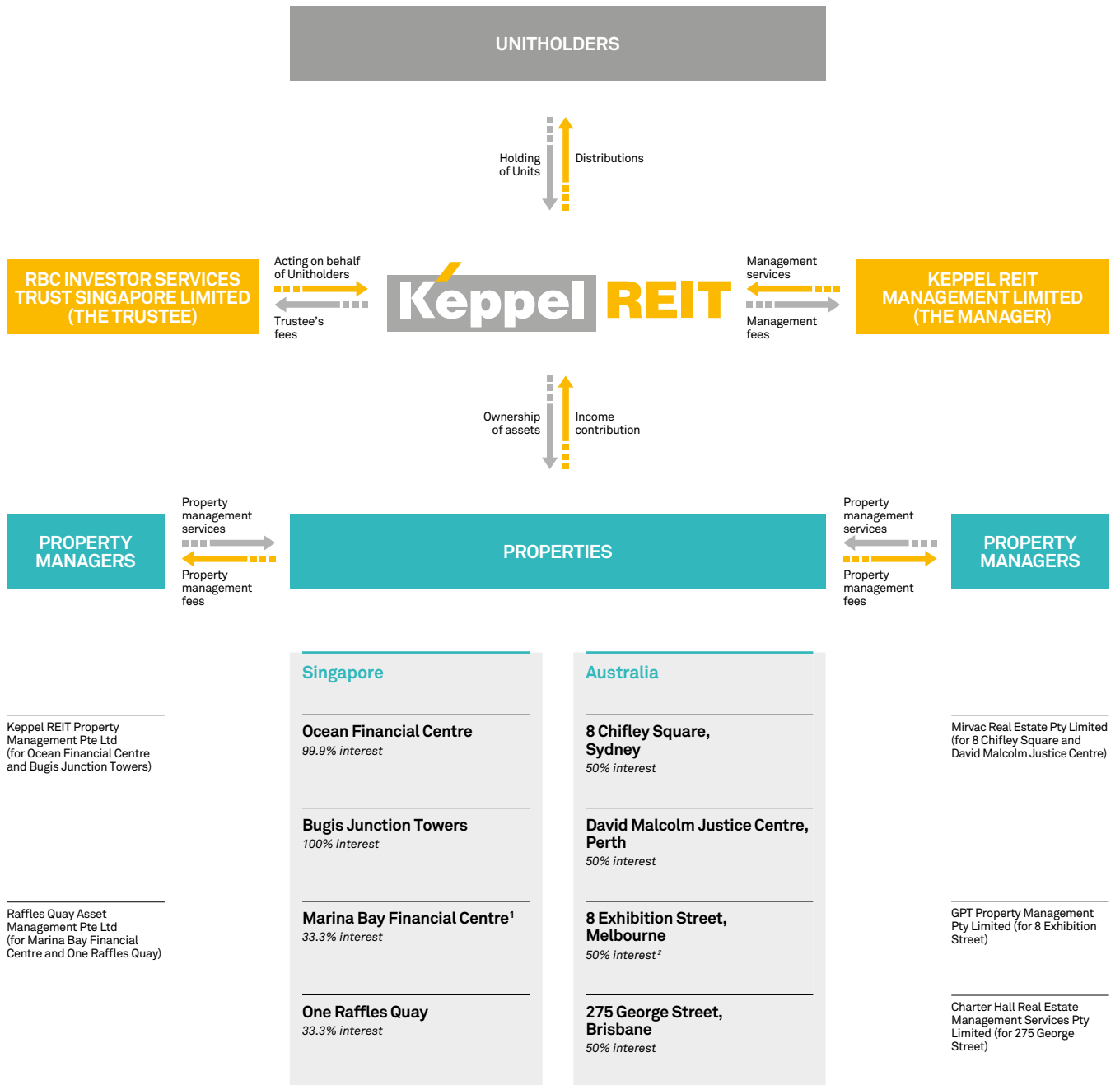
The Manager also evaluates the performance of the properties and considers the recycling of capital, where appropriate, to optimise its portfolio.

### Committed to Sustainability

All of Keppel REIT's buildings bear internationally-recognised green certifications by leading industry bodies.

Environmentally-sustainable features are thoughtfully incorporated into Keppel REIT's properties, where feasible. Keppel REIT also topped the internationally-recognised Global Real Estate Sustainability Benchmark 2016, coming in first in Asia and retaining pole position as the Regional Leader for the Office Sector in Asia for three consecutive years.

# Trust Structure



<sup>1</sup> Marina Bay Financial Centre comprises office Towers 1, 2 and 3, as well as the subterranean mall, Marina Bay Link Mall.

<sup>2</sup> Refers to Keppel REIT's 50% interest in the 8 Exhibition Street office building and two retail units, as well as a 100% interest in the three adjoining retail units.

## Board of Directors

We leverage the Board's diverse experience and expertise to steer Keppel REIT forward.



**Dr Chin Wei-Li, Audrey Marie** age 59  
**Chairman, Non-Executive and Non-Independent Director**

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Dr Chin has been a Director of the Manager since 3 February 2005.

Dr Chin also serves as the Lead Independent Director on the board of NTUC Income Insurance Co-operative Singapore, where she is a member of the Investment, Nominating and Remuneration Committees. She has held investment-related roles in various financial institutions and the Government of Singapore Investment Corporation.

Dr Chin graduated from Manchester University with a Bachelor of Laws (Honours), Oxford University with a Master of Science (Research Methods and Public Policy) and the Rand Graduate School with a PhD in Public Policy.



**Tan Swee Yiow** age 56  
**Chief Executive Officer and Executive Director**

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Mr Tan has been the Chief Executive Officer and Executive Director of the Manager since 20 March 2017.

Prior to his current appointment, Mr Tan was President, Singapore, in Keppel Land and concurrently Head, Keppel Land Hospitality Management. He had oversight of the Keppel Land Group's investment and development operations in Singapore, as well as its hospitality management arm. Mr Tan has been with the Keppel Land Group since 1990. He was the CEO of the Manager when Keppel REIT was listed in April 2006, a role that he held till 2009.

Mr Tan is a Board Member and President of Singapore Green Building Council and a Member of World Green Building Council's Corporate Advisory Board. He also serves as Honorary Treasurer on the Management Council of Real Estate Developers' Association of Singapore (REDAS) and sits on the Workplace Safety Health Council (Construction and Landscape Committee).

Mr Tan holds a Bachelor of Science (First Class Honours) in Estate Management from the National University of Singapore (NUS), and a Master of Business Administration (MBA) in Accountancy from the Nanyang Technological University (NTU).



**Mr Tan Chin Hwee** age 45  
**Non-Executive and  
Independent Director**

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**Member of Audit and Risk Committee**

Mr Tan has been a Director of the Manager since 14 September 2010.

Mr Tan was the founding partner in Asia for Apollo Global Management, a leading global alternative investment firm which is among the top three largest in the world.

He was voted by the Hedge Fund Journal as the emerging top 40 absolute return investors globally and was also named as Best Asia Credit Hedge Fund by Hong Kong-based publication, The Asset.

Mr Tan was also honoured as a World Economic Forum Young Global Leader and a World Cities Summit Young Leader. He received the Nanyang Alumni Award 2014 and was the winner of the 2013 Distinguished Financial Industry Certified Professional Award from the Singapore Government, and is a recipient of the World Outstanding Young Chinese Entrepreneurs Award 2015.

He is currently the Chief Executive Officer for Trafigura Pte Ltd, Asia Pacific, a leading independent commodity trading and logistics house.

Mr Tan is active in serving the community and sits on various for-profit and not-for-profit boards; he is a member of the Advisory Panel for the Volunteer Youth Corp formed by the Ministry of Culture, Community and Youth and a board member of Singapore Press Holdings Limited.

Mr Tan is also an Adjunct Professor in a number of universities including Shanghai Jiao Tong University. He is the author of the best-selling book "Asia Financial Statement Analysis: Detecting Financial Irregularities".

Mr Tan received a Bachelor of Accountancy Degree and graduated with Second Class Upper Honours in 1995 from NTU. Mr Tan has an MBA from Yale University and completed a postgraduate course at Harvard Kennedy School.

He is a Chartered Financial Analyst (CFA) and is both an Australian registered Certified Public Accountant (CPA) and a Chartered Accountant of Singapore.



**Mr Lee Chiang Huat** age 67  
**Non-Executive and  
Independent Director**

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**Chairman of Audit and Risk Committee**

Mr Lee has been a Director of the Manager since 9 April 2012.

Mr Lee was the Chief Financial Officer of the Nor Offshore Limited Group from April to December 2010 and was responsible for the finance activities relating to accounting, auditing, financial planning, taxation, treasury, investor relations, human resource, administration and management information systems. Between December 1980 and March 2010, Mr Lee was employed by Singapore Petroleum Company Limited (SPC). He joined SPC as a financial analyst and was promoted to the position of Chief Financial Officer in September 2000 and was responsible for the accounting, reporting, taxation, treasury, information technology, investor relations and regulatory compliance functions. Prior to his employment with SPC, Mr Lee was a credit analyst with a major US banking corporation from December 1979 to December 1980 and was responsible for the evaluation of the creditworthiness of corporate customers.

Since 12 December 2014, Mr Lee has been an independent director and chairman of the Audit and Risk Committee of Keppel DC REIT Management Pte. Ltd., the manager of Keppel DC REIT.

Mr Lee holds a Bachelor of Business Administration from NUS, an MBA from the University of New South Wales, as well as a Master of Social Science (Applied Economics) from NUS.

## Board of Directors



**Mr Daniel Chan Choong Seng** age 64  
**Non-Executive and Independent Director**

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### Member of Audit and Risk Committee

Mr Chan has been a Director of the Manager since 9 April 2012.

Mr Chan runs his own asset management firm, DCG Capital, a registered fund management company investing mainly in Asian equities. Prior to setting up DCG Capital in 2011, Mr Chan was the Chief Executive Officer of Lion Global Investors (Lion), the asset management subsidiary of the OCBC Group. He was instrumental in establishing Lion through the merger of Straits Lion Asset Management, a subsidiary of Great Eastern Holdings, with OCBC Asset Management in 2005. From September 2005 to September 2009, Mr Chan was also Lion's Chief Investment Officer.

Before joining the OCBC Group, Mr Chan was with the UOB Group for 26 years during which time, he helped establish UOB Asset Management (UOBAM) to be one of Singapore's largest asset managers. Between 2000 and 2004, Mr Chan also served as Chairman of the Investment Management Association of Singapore.

In 2009, Mr Chan was conferred "Distinguished Financial Industry Certified Professional" award by the Institute of Banking & Finance. Under his stewardship, both UOBAM and Lion were recognised for fund performance and garnered a large number of fund awards.

Mr Chan holds a Bachelor of Business Administration Degree from NUS.



**Mr Lor Bak Liang** age 59  
**Non-Executive and Independent Director**

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### Member of Audit and Risk Committee and Nominating and Remuneration Committee

Mr Lor has been a Director of the Manager since 9 April 2012.

Mr Lor is a Director of Werone Connect Pte Ltd, a company engaged in business consultancy.

Mr Lor was Executive Vice President and Head of Asset Management (Asia) in GIC Real Estate Pte Ltd. He was with GIC Real Estate from 1993 to 2007. Prior to joining GIC Real Estate, he was with the Strategic Planning and Business Development Division of DBS Land. Mr Lor began his career as a civil engineer in the Public Works Department in 1982.

Mr Lor graduated from the University of Adelaide with a Bachelor of Engineering (Honours) and from NUS with a Master of Science (Business Administration) and a Master of Science (Civil Engineering). His professional qualifications include Professional Engineer and CFA.



**Mr Ang Wee Gee** age 55  
**Non-Executive and Non-Independent Director**

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Mr Ang has been a Director of the Manager since 1 January 2013.

Mr Ang joined the Keppel Land Group in 1991 and was appointed Chief Executive Officer of Keppel Land Limited (Keppel Land) on 1 January 2013.

Prior to his appointment as Chief Executive Officer of Keppel Land, Mr Ang held senior management positions in the Keppel Land Group. He was Executive Vice Chairman of Keppel Land China Limited, a wholly-owned subsidiary of Keppel Land which owns and operates Keppel Land's businesses in China and, prior to that, Executive Director and Chief Executive Officer, International, of Keppel Land International Limited, where he was responsible for Keppel Land's overseas businesses. He was also Chairman of Keppel Philippines Properties, Inc. which is listed on The Philippine Stock Exchange and Chairman of Keppel Thai Properties Public Company Limited which was listed on The Stock Exchange of Thailand. Mr Ang was also Keppel Land's country head for Vietnam and the head of Keppel Land Hospitality Management Pte Ltd. He previously held positions in business and project development for Singapore and overseas markets, and corporate planning in Keppel Land's hospitality arm.

Prior to joining the Keppel Land Group, Mr Ang acquired diverse experience in the hotel, real estate and management consulting industries in the USA, Hong Kong and Singapore.

Mr Ang is currently a member of the Board of the Building and Construction Authority of Singapore.

Mr Ang holds an MBA from Imperial College, University of London. He received his Bachelor of Science Degree summa cum laude from the University of Denver, USA.





**Professor Tan Cheng Han** age 52  
**Non-Executive and Independent Director**

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**Chairman of Nominating and Remuneration Committee**

Professor Tan has been a Director of the Manager since 1 January 2013.

Professor Tan is Chairman, Centre for Law & Business at the Faculty of Law at NUS. He is on the panel of arbitrators for the Singapore International Arbitration Centre, the Shanghai International Arbitration Center and the Kuala Lumpur Regional Centre for Arbitration. He is also a member of the Dispute Resolution and Compensation Arbitration Panel of the National Electricity Market of Singapore.

Professor Tan's current appointments include being a board member of the Accounting and Corporate Regulatory Authority, a Council member of the Singapore Sports Council, Chairman of the Public Accountants Oversight Committee, a member of the Appeal Advisory Panel to the Minister for Finance, and a member of the Governing Board of the International Association of Law Schools in the USA. He currently holds several board directorships, including at Singapore Technologies Marine Limited, Chuan Hup Holdings Limited, NTUC First Campus Cooperative and Global Yellow Pages Limited.

Professor Tan obtained his Bachelor of Laws (Honours) Degree from NUS and Master of Laws Degree from the University of Cambridge. In 2006, he was awarded the Public Administration Medal (Silver).



**Ms Christina Tan** age 51  
**Non-Executive and Non-Independent Director**

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**Member of Nominating and Remuneration Committee**

Ms Tan has been a Director of the Manager since 15 September 2016.

Ms Tan is the Chief Executive Officer of Keppel Capital Holdings Pte. Ltd. (Keppel Capital) and Managing Director of Alpha Investment Partners Limited (Alpha).

Keppel Capital is the Keppel Group's asset management arm, which includes the asset managers Keppel REIT Management, Keppel Infrastructure Fund Management, Keppel DC REIT Management and Alpha. Ms Tan is a founding member of Alpha, and has been actively involved in all phases of the firm's development since 2003. As Managing Director, she sits on the Investment Committee for all Alpha-managed funds and is instrumental in developing as well as implementing the portfolio strategy for all the funds.

Ms Tan has over 20 years of expertise and experience in investing and fund management across the US, Europe and Asia. She previously served as the Chief Financial Officer of GRA (Singapore) Private Limited, the Asian real estate fund management arm of the Prudential Insurance Company of America, managing more than US\$1 billion in real estate funds. Prior to that, she was the Treasury Manager with Chartered Industries of Singapore, managing the group's cash positions and investments. Ms Tan started her career with Ernst & Young before joining the Government of Singapore Investment Corporation (GIC).

Ms Tan holds a Bachelor of Accountancy (Honours) from NUS and is a CFA® charterholder.



**Mrs Penny Goh** age 64  
**Non-Executive and Independent Director**

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**Member of Nominating and Remuneration Committee**

Mrs Goh has been a Director of the Manager since 5 October 2016.

Mrs Goh is Co-Chairman and Senior Partner of Allen & Gledhill LLP, a leading law firm in Singapore. She has been a Partner since 1982 and has for many years headed the Corporate Real Estate Department. She regularly acts for listed corporations, private equity property funds, sovereign wealth funds and real estate investment trusts, and has extensive experience in advising on acquisitions, divestments, joint developments and profit participation structures in major commercial projects in Singapore. Her Asia Pacific experience includes regional investments and joint ventures in Japan, Indonesia and PRC.

She is an Honorary Legal Advisor to REDAS.

She is also the Lead Independent Director of Mapletree Logistics Trust Management Ltd, the manager of Mapletree Logistics Trust, where she also chairs its Nominating and Remuneration Committee.

Mrs Goh holds a Bachelor of Law (Honours) degree from NUS and is a member of the Singapore Bar. She is consistently recommended as a leading specialist in corporate real estate practice by several legal publications including Chambers Asia-Pacific, IFLR 1000, The Legal 500 Asia Pacific, Best Lawyers and The International Who's Who of Real Estate Lawyers.

# Present and Past Directorships

## Directors

Present (as at 1 January 2017) and past principal directorships held by the Directors over the preceding five years (from 1 January 2012 to 31 December 2016) are as follows:

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### Dr Chin Wei-Li, Audrey Marie

#### Present Directorships (as at 1 January 2017):

*Listed companies*  
Nil

#### *Other principal directorships*

NTUC Income Insurance Co-operative Singapore; JC Trust Limited, Singapore

#### Major Appointments (other than directorships):

Nil

#### Past Directorships held over the preceding five years (from 1 January 2012 to 31 December 2016):

Singapore Petroleum Company Ltd; Save the Children Singapore Limited; Vietnam Investing Associates – Financials Singapore Private Limited (Executive Chairman); Rossignol Private Limited

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### Mr Tan Swee Yow

Appointed Chief Executive Officer and Executive Director with effect from 20 March 2017

#### Present Directorships (as at 20 March 2017):

*Listed companies*  
Nil

#### *Other principal directorships*

Nil

#### Major Appointments (other than directorships):

Board of Singapore Green Building Council (Member and President); Corporate Advisory Board of World Green Building Council (Member); Management Council of Real Estate Developers' Association of Singapore (Honorary Treasurer)

#### Past Directorships held over the preceding five years (from 21 March 2012 to 20 March 2017):

Asia No. 1 Property Fund Ltd; Keppel Thai Properties Public Company Ltd; Keppel REIT Management Limited; Subsidiaries and associated companies of Keppel Land Limited.

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### Mr Tan Chin Hwee

#### Present Directorships (as at 1 January 2017):

*Listed companies*  
Singapore Press Holdings Limited

#### *Other principal directorships*

Mt Sinai Capital Pte Ltd; Trafigura Pte Ltd; Trafigura Holdings Pte Ltd

#### Major Appointments (other than directorships):

Trafigura Pte Ltd (Chief Executive Officer, Asia Pacific); Lien Aid Limited (Member); KKH Health Endowment Fund (Member); Trustee of Nanyang Technological University (Member); Shanghai Advanced Institute of Finance at Shanghai Jiaotong University (Member of Advisory Board); Monetary Authority of Singapore's Finance Centre Advisory Panel (Member); International Maritime Centre (IMC) 2030 Advisory Committee for the Maritime Port Authority of Singapore (Member); International Olympic Council, Switzerland (Advisor to the Finance and Treasury Committees)

#### Past Directorships held over the preceding five years (from 1 January 2012 to 31 December 2016):

AOI Investment; Apollo Management Singapore Pte Ltd; Amaranth Advisors (Singapore) Pte Ltd; Lighthouse (Mauritius) Ltd; CFA Singapore

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### Mr Lee Chiang Huat

#### Present Directorships (as at 1 January 2017):

*Listed companies*  
Keppel DC REIT Management Pte. Ltd. (the manager of Keppel DC REIT)

#### *Other principal directorships*

Icurrencies Pte Ltd

#### Major Appointments (other than directorships):

Former Chief Financial Officer of Singapore Petroleum Company Limited and NOR Offshore Ltd

#### Past Directorships held over the preceding five years (from 1 January 2012 to 31 December 2016):

Channoil Asia Pte Ltd

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### Mr Daniel Chan Choong Seng

#### Present Directorships (as at 1 January 2017):

*Listed companies*  
Nil

#### *Other principal directorships*

DCG Capital Pte Ltd; DCG Asia Value Fund; DCG Asia Value Master Fund

#### Major Appointments (other than directorships):

Nil

#### Past Directorships held over the preceding five years (from 1 January 2012 to 31 December 2016):

Pacific Mas Berhad

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### Mr Lor Bak Liang

#### Present Directorships (as at 1 January 2017):

*Listed companies*  
Nil

#### *Other principal directorships*

Werone Connect Pte Ltd

#### Major Appointments (other than directorships):

Nil

#### Past Directorships held over the preceding five years (from 1 January 2012 to 31 December 2016):

Nil

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### Mr Ang Wee Gee

#### Present Directorships (as at 1 January 2017):

*Listed companies*  
Nil

#### *Other principal directorships*

Keppel Land Limited

#### Major Appointments (other than directorships):

Board of the Building and Construction Authority of Singapore (Member)

#### Past Directorships held over the preceding five years (from 1 January 2012 to 31 December 2016):

Various subsidiaries and associated companies of Keppel Land Limited

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## Professor Tan Cheng Han

### Present Directorships (as at 1 January 2017):

#### Listed companies

Chuan Hup Holdings Ltd (Chairman);  
Global Yellow Pages Limited  
(Deputy Chairman)

#### Other principal directorships

Singapore Technologies Marine Limited;  
Anwell Technologies Limited; Caritas  
Singapore Community Council Limited;  
NTUC First Campus Cooperative Limited  
(Chairman); Tokio-Marine Life Insurance  
Singapore Ltd (Chairman); Tokio-Marine  
Insurance Singapore Ltd (Chairman);  
Bright Horizon Fund

### Major Appointments

#### (other than directorships):

Singapore Sports Council  
(Council Member); Accounting and  
Corporate Regulatory Authority  
(Board Member); Public Accountants  
Oversight Committee (Chairman);  
Consultant at TSMP Law Corporation

### Past Directorships held over the preceding five years (from 1 January 2012 to 31 December 2016):

Centillion Environment and Recycling Ltd;  
NTUC Income Insurance Co-operative  
Singapore; Yamada Green Resources  
Limited; The Asian Society of International  
Law Ltd; Seed Institute Pte Ltd; The Little  
Skool-House International Pte Ltd

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## Ms Christina Tan Hua Mui

### Present Directorships (as at 1 January 2017):

#### Listed companies

Keppel DC REIT Management Pte. Ltd.  
(the manager of Keppel DC REIT);  
Keppel Infrastructure Fund Management  
Pte. Ltd. (the trustee-manager of  
Keppel Infrastructure Trust)

#### Other principal directorships

Keppel Capital Holdings Pte. Ltd.;  
Alpha Investment Partners Limited

### Major Appointments (other than directorships):

Keppel Capital Holdings Pte. Ltd.  
(Chief Executive Officer); Alpha Investment  
Partners Limited (Managing Director)

### Past Directorships held over the preceding five years (from 1 January 2012 to 31 December 2016):

Asia Real Estate Fund Management Limited;  
Hillsborough Limited; Growth Partners IV  
Holdings Ltd; Sino-Sing Alpha Partners HK  
Limited; AAJ Investment Pte Ltd; Myrick  
Investment Private Limited; Chiba Investment  
Private Limited; D. L. Properties Ltd, Dattson  
Pte. Ltd.; Divine (AMT) Pte. Ltd.; Katong AMC  
Pte. Ltd.; Growth Partners Pte Ltd; Growth  
Partners Group II Limited; Growth Partners III  
Holdings Ltd; Growth Partners V Holdings Ltd;  
Growth Partners IX Holdings Ltd; Growth  
Partners VII Holdings Ltd; Growth Partners VIII  
Holdings Ltd; Growth Partners X Holdings Ltd;  
Growth Partners XI Holdings Ltd; Growth  
Partners XII Holdings Ltd; Growth Partners XIII  
Holdings Ltd; Canyonwater Limited; Pacific  
Champion Group Limited; ALBJ Investment Pte.  
Ltd.; Ginza 3 (CP) Private Limited; Sound  
Investments Limited; Music Square (AMT)  
Limited; Kinetic (AMT) Limited; Alpha  
Investment Partners (Brazil) Pte. Ltd.;  
Alpha Reits Manager Ltd.; Daikanyama (CP)  
Investment Private Limited; ANOF Korea 1  
Private Limited; Capital Square Pte. Ltd;  
Street Square Pte. Ltd.

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## Mrs Penny Goh

### Present Directorships (as at 1 January 2017):

#### Listed companies

Mapletree Logistics Trust Management Ltd  
(the manager of Mapletree Logistics Trust)

#### Other principal directorships

Nil

### Major Appointments (other than directorships):

Allen & Gledhill LLP (Co-Chairman  
and Senior Partner)

### Past Directorships held over the preceding five years (from 1 January 2012 to 31 December 2016):

Eastern Development Private Limited;  
Eastern Development Holdings Pte Ltd;  
Trailblazer Foundation Ltd

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## Senior Management

Present (as at 1 January 2017) and past  
principal directorships held by senior  
management over the preceding five years  
(from 1 January 2012 to 31 December 2016)  
are as follows:

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## Mr Kelvin Chow Chung Yip

### Present Directorships (as at 1 January 2017):

Various subsidiaries and associated  
companies of Keppel REIT

### Past Directorships held over the preceding five years (from 1 January 2012 to 31 December 2016):

Various special purpose vehicles in funds  
managed by Invista Real Estate Investment  
Management Limited

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## Mr Toh Wah San

### Present Directorships (as at 1 January 2017):

Various subsidiaries and associated  
companies of Keppel REIT

### Past Directorships held over the preceding five years (from 1 January 2012 to 31 December 2016):

Remarkable Investment Pte Ltd;  
Victoria Square Pte Ltd;  
Simple Hope Sdn Bhd

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## Mr Wong Cho Wai

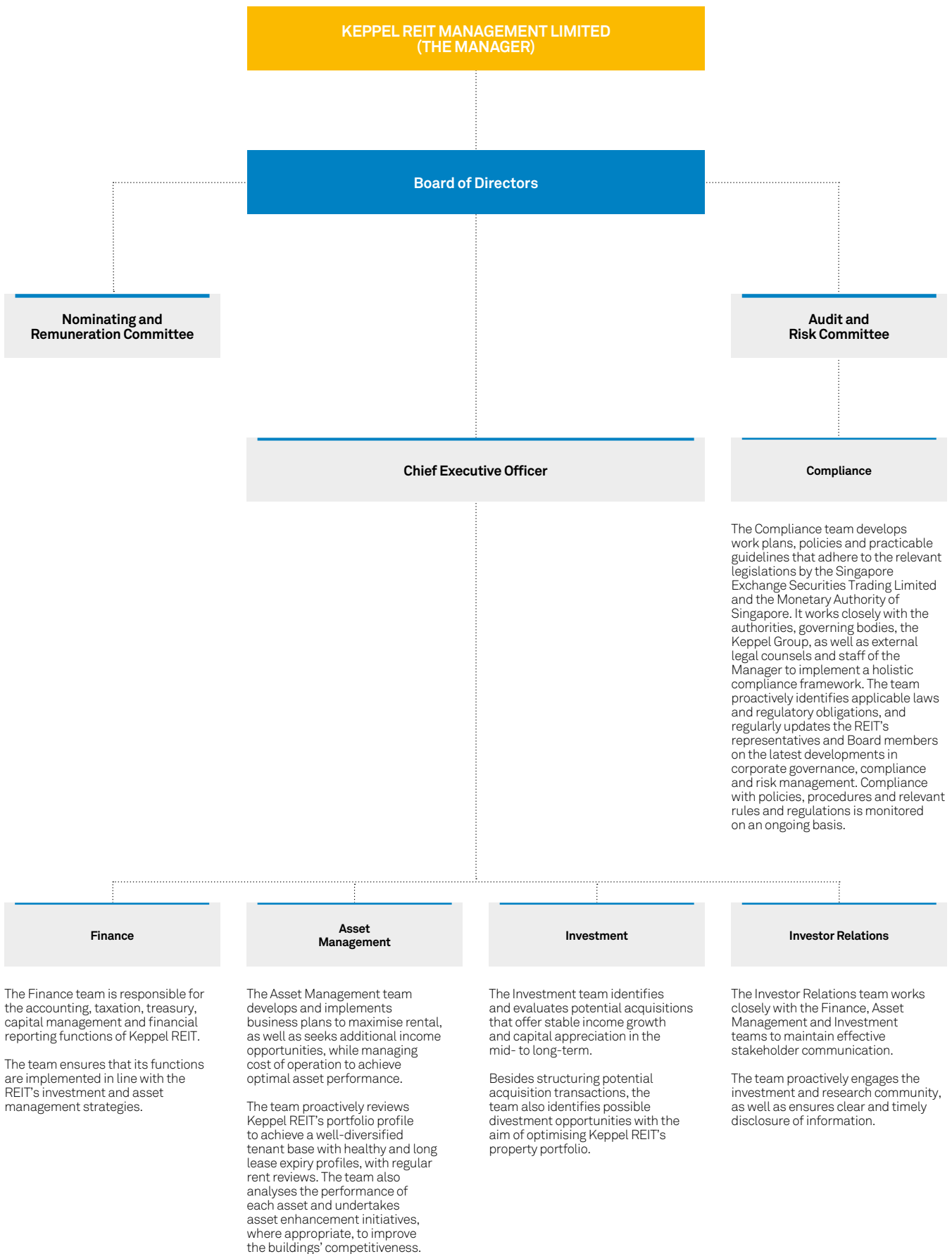
### Present Directorships (as at 1 January 2017):

Various subsidiaries and associated  
companies of Keppel REIT

### Past Directorships held over the preceding five years (from 1 January 2012 to 31 December 2016):

Nil

# The Manager



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## Keppel REIT Management Limited



**Tan Swee Yiow** age 56  
Chief Executive Officer

Mr Tan was appointed CEO and Executive Director of the Manager with effect from 20 March 2017.

Please refer to the description under the Board of Directors section on page 12.



**Kelvin Chow** age 44  
Chief Financial Officer

Mr Chow has more than 22 years of experience in financial and corporate reporting, corporate financing, tax planning, compliance as well as capital and risk management. Prior to joining the Manager, he was the Chief Financial Officer of SB REIT Management Pte. Ltd. He has held senior positions at Cambridge Industrial Trust Management Limited, Invista Real Estate Investment Management Limited, Overseas Union Enterprise Limited and Allco (Singapore) Limited. He has also worked at various entities within the Ascendas Group.

Mr Chow holds a Master of Business Administration (MBA) from Universitas 21 Global. He is a Fellow of the Association of Chartered Certified Accountants and a member of the Institute of Singapore Chartered Accountants.



**Toh Wah San** age 58  
Executive Vice President,  
Asset Management

Mr Toh has over 30 years of experience in the construction and real estate industry, particularly in areas of development and asset management. Prior to joining the Manager, Mr Toh held senior appointments at MC Asia Management, GIC Real Estate, ING Real Estate and Rodamco Asia where he was responsible for regional real estate investment and asset management across several Asian countries including Korea and Japan.

Mr Toh holds a Bachelor of Science Degree (Building) and an MBA, both from the National University of Singapore (NUS).



**Wong Cho Wai** age 42  
Senior Vice President, Investment

Mr Wong has more than 15 years of experience in real estate investments, asset management, business development and portfolio management.

Prior to joining the Manager, he was Vice President for Real Estate Asset Management at Credit Suisse where he oversaw investment decisions, as well as asset and property management matters across key markets within the Asia Pacific region. Mr Wong started his career at Keppel Land and has also held key appointments at several real estate groups.

Mr Wong holds a Bachelor of Engineering Degree (Civil Engineering) from NUS and Master of Applied Finance from Macquarie University.

## Milestones

# 2016

### January

Achieved distributable income of \$217.3 million and DPU of 6.80 cents for FY 2015.

Keppel Corporation announced its intention to consolidate its interests in business trust management, real estate investment trust management and fund management businesses under Keppel Capital. This includes Keppel Land's interest in Keppel REIT Management.

Divested its interest in 77 King Street in Sydney, Australia.

### February

Keppel REIT Property Management was conferred the bizSAFE Partner Award at the 8<sup>th</sup> annual bizSAFE Convention.

### April

Achieved distributable income of \$54.4 million and DPU of 1.68 cents for 1Q 2016.

Convened Keppel REIT's 7th AGM on 15 April 2016.

### May

Keppel REIT was among the 24 constituents in the Singapore Exchange's Sustainability Leaders Index.

Received seven accolades at the annual Building and Construction Authority Awards 2016, including one Green Mark Pearl Award for Ocean Financial Centre,

three Green Mark Platinum Awards for Ocean Financial Centre, One Raffles Quay and Marina Bay Financial Centre Tower 3, one Green Mark (Office Interior) Platinum Award for the Manager's corporate office at Bugis Junction Towers, as well as two Green Mark (Office Interior) Gold<sup>Plus</sup> Awards for the management offices at Ocean Financial Centre and Bugis Junction Towers.

Over 200 business partners and associates, together with Directors and senior management of the Keppel Group, celebrated a decade of partnerships with Keppel REIT at the Capitol Theatre on 17 May 2016.

### July

Keppel Corporation completed the restructuring of its interests in the asset managers under Keppel Capital on 1 July 2016.

Achieved distributable income of \$52.5 million and DPU of 1.61 cents for 2Q 2016.

Conferred the Gold Award for Best Annual Report in the REITs and Business Trusts category at the Singapore Corporate Awards 2016.

### September

Garnered top accolades at the internationally-recognised Global Real Estate Sustainability Benchmark 2016. Keppel REIT retained its pole position as the Regional Sector Leader for the Office Sector in Asia for three

consecutive years, and was ranked 2nd globally across all 733 diversified entities and sectors.

Ms Christina Tan, CEO of Keppel Capital and Managing Director of Alpha Investment Partners, was appointed as a non-executive and non-independent director.

### October

Achieved distributable income of \$52.5 million and DPU of 1.60 cents for 3Q 2016.

Mrs Penny Goh, Co-Chairman and Senior Partner of Allen & Gledhill LLP, was appointed as a non-executive and independent Director.

### November

David Malcolm Justice Centre in Perth was conferred the prestigious Western Australia (WA) Commercial Property of the Year Award for innovation at the WA Property Council of Australia's 2016 Property Awards.

# 2017

### January

Achieved distributable income of \$48.7 million and DPU of 1.48 cents for 4Q 2016, bringing total distributable income and DPU for FY 2016 to \$208.1 million and 6.37 cents respectively.

*Celebrating a decade of partnerships at Keppel REIT's anniversary dinner in May 2016.*



## Investor Relations

The Manager recognises the importance of providing the investment community and key stakeholders an overview of Keppel REIT's strategy, business operations and performance.

The Investor Relations (IR) team works closely with the Finance, Asset Management and Investment teams to provide existing and potential institutional investors and retail Unitholders, as well as financial analysts and other stakeholders updates on the REIT's business and operations.

Guided by a clearly defined set of principles and practices set out in its IR policy, the Manager engages in proactive communication with the investment community. The IR policy is available at [www.keppelreit.com](http://www.keppelreit.com). It is reviewed regularly to ensure relevance and effectiveness.

### **Proactive Engagement with the Investment Community**

Throughout 2016, the Manager continued to engage investors and analysts globally through various platforms. These included one-on-one meetings, results briefings for media and analysts, investor luncheons, conference calls, investor conferences and roadshows, as well as site visits.

In 2016, the Manager engaged a total of 218 local and foreign investors in 64 meetings, conferences, results luncheons and site visits in Singapore, Amsterdam, Florida, The Hague, Hong Kong, Kuala Lumpur, London and Tokyo.

These meetings served as platforms for the Manager to understand and address issues that mattered to investors, as well as to share the REIT's strategy, financial performance, business operation updates, and industry trends.

The Manager also plays an active role in promoting the development of the Singapore REIT (S-REIT) sector. This includes participation in conferences, as well as industry and educational talks that help educate and deepen understanding of the industry.

Keppel REIT publishes its quarterly financial results in January, April, July and October. Results briefings for media and analysts are also organised for the half- and full year results announcements. At these briefings, management will present and update on the REIT's financial performance and business operations for that period, as well as on the latest industry developments.

The 7th Annual General Meeting (AGM) was held on 15 April 2016.

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**The Manager is committed to maintain effective communication with the investment community and other key stakeholders.**



*Results briefings for media and analysts provide management the platform to present and update on the REIT's financial performance and business operations, as well as the latest industry developments.*

## Investor Relations

The meeting was attended by over 1,000 Unitholders. Keppel REIT's AGM, which takes place after its first quarter results announcement, provides Unitholders a good platform to interact and engage directly with the Directors and senior management on the REIT's latest performance.

At the AGM, Unitholders are also updated on Keppel REIT's strategy, its operating and financial performance, as well as the market outlook. The Directors also use the opportunity to meet and strengthen relations with Unitholders.

### Upholding Sound Governance and Disclosures

Keppel REIT's quarterly financial results are released within one month after the end of each quarter. Included in the quarterly results are updates on the REIT's financial performance, capital management efforts, business and portfolio operations, as well as industry trends and market outlook.

Market sensitive news and corporate actions are filed with the Singapore Exchange via the SGXNET and are made available on Keppel REIT's corporate

website on the same day of release. This ensures that all stakeholders have timely and equal access to information.

Materials including the annual reports, investor presentations, media releases, financial information, distribution history and property portfolio information, as well as relevant information on the management team are also available on Keppel REIT's corporate website.

In July, Keppel REIT was conferred the Best Annual Report (Gold) Award in the REITs and Business Trusts category at the Singapore Corporate Awards 2016. The award is testament to Keppel REIT's commitment and efforts in upholding clarity, transparency and best practices.

The Manager will continue to be guided by the principle of upholding best practices in corporate governance and disclosure in its outreach efforts with the investing community. The Manager will also continue to maintain their proactive engagement with stakeholders in a timely manner, as well as provide regular updates on Keppel REIT's operations and performance.

**Upholding sound corporate governance and providing timely updates on its operations provide the investment community a better overview and understanding of Keppel REIT's business.**



*The Keppel Group, including Keppel REIT Management, was lauded for governance efforts at the Singapore Corporate Awards 2016. Keppel REIT received the Best Annual Report (Gold) Award in the REITs and Business Trusts category.*



## Investor Relations Calendar

Regular communication with the investment community allows the Manager to articulate Keppel REIT's strategy and ensures stakeholders are kept abreast of its business operations.

### 1Q 2016

Announced FY 2015 results at a briefing for media and analysts, and engaged investors at a post-results luncheon organised by UOB Kay Hian

4Q 2015 distribution payout to Unitholders

Conducted 16 one-on-one investor meetings and site visits in Singapore

Participated in the Citi 21st Global CEO Property Conference in Florida

Non-deal roadshows in Kuala Lumpur and Hong Kong organised by Credit Suisse and HSBC respectively



### 2Q 2016

Announced 1Q 2016 results, and engaged investors at a post-results luncheon organised by Nomura

1Q 2016 distribution payout to Unitholders

Convened 7th AGM on 15 April 2016

Conducted 16 one-on-one investor meetings and site visits, and participated in the 7th dbAccess Asia Conference in Singapore

Non-deal roadshow in Tokyo organised by JP Morgan

Participated in the REITs Symposium jointly organised by REITAS and Share Investor



### 3Q 2016

Announced 1H 2016 results at a briefing for media and analysts, and engaged investors at a post-results luncheon organised by Citi Research

2Q 2016 distribution payout to Unitholders

Conducted 15 one-on-one investor meetings and site visits in Singapore

Non-deal roadshow in London, Amsterdam and The Hague organised by HSBC

Hosted 50 students to an introductory session on the S-REIT and office sectors as part of the Asian Cities Programme by the Real Estate Academy in China



### 4Q 2016

Announced 3Q 2016 results, and engaged investors at a post-results luncheon organised by DBS Vickers

3Q 2016 distribution payout to Unitholders

Conducted 11 one-on-one investor meetings and site visits in Singapore



**Unitholder Enquiries**  
For more information, please contact the IR team at:

**Telephone:**  
+65 6803 1739

**Email:**  
investor.relations@keppelreit.com

**Website:**  
www.keppelreit.com

# Market Review

**Weaker economic growth and cautious sentiments weighed in on the Singapore REIT sector and the office market in 2016. These sentiments are expected to continue into 2017 as companies maintain their cost-conscious approach and seek to “right-size” their office space needs.**



## Singapore Market Review

*The independent report on the Singapore office property market and the Singapore REIT sector was prepared by Colliers International Consultancy & Valuation (Singapore) Pte Ltd (Colliers International).*

### Economic Overview

The Singapore economy expanded moderately by 2.0%<sup>1</sup> in 2016, as compared to the 1.9% growth in 2015. Growth in 2016 was driven mainly by the manufacturing sector, as a result of stronger expansion in the electronics and biomedical manufacturing clusters.

The Ministry of Trade and Industry (MTI) expects Singapore’s economic outlook for 2017 to be marginally better than that of 2016, with growth rates of between 1% and 3%. The improved momentum in the manufacturing sector in 2016 is likely to follow through to 2017, supported by a continued recovery in the semi-conductor sector. Externally-oriented sectors such as the manufacturing and transportation and storage sectors are also expected to support economic growth in 2017.

## S-REIT Market Overview

2016 was a challenging year for the financial market, including the Singapore REIT (S-REIT) sector. The Straits Times Index ended 2016 at 2,881 points, down from 2,883 points in 2015. The FTSE ST REIT Index closed at 710 points in end-2016, slightly up from 696 points a year ago.

Concerns over China’s slow economic growth and domestic debt developments

at the start of the year saw the S-REITs off to a negative start in 2016. The Brexit vote in June 2016 and the United States election in November 2016 created volatilities in the equity market, against the backdrop of a highly uncertain global economic outlook. The US Federal Reserve’s subsequent decision to raise interest rates, with more rate hikes expected in 2017, saw an increase in net outflows for S-REITs towards the end of 2016.

Ongoing uncertainties in the global economic outlook will likely see investors refocus on S-REITs, especially those with strong balance sheets, long weighted average lease expiries and resilient portfolios.

## Singapore Office Market Overview

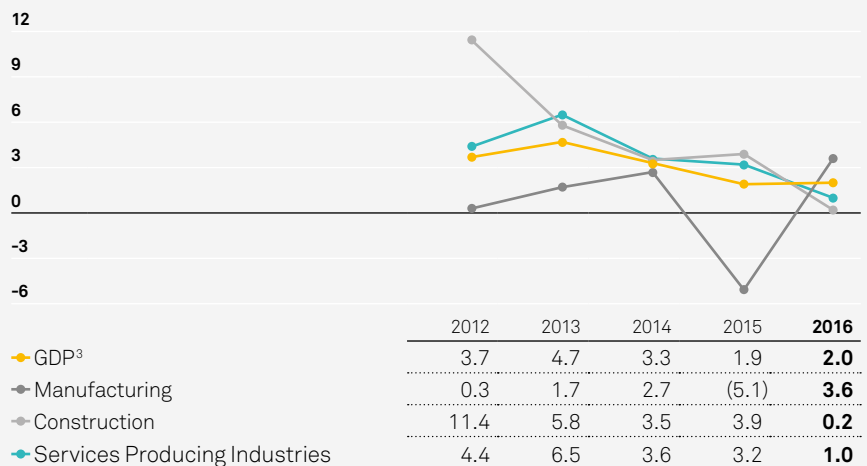
### Existing Supply

The stock of completed office space in Singapore stood at 83.2 million sf as at end-2016, of which the majority, 83.6%, is owned by the private sector and the remainder by government agencies.

Islandwide, office stock grew 2.3% in 2016, equivalent to a net new supply of around 1.8 million sf. This was a sharp increase from the muted net new supply of 65,000 sf in 2015.

The Premium and Grade A office market in the Central Business District (CBD)<sup>2</sup> comprised about 26.6% of the total islandwide office stock, amounting to about 22.1 million sf as at end-2016. A net new supply of approximately 1.5 million sf has been added to the Premium and

**Gross Domestic Product (GDP) Growth (%)**



Sources: Colliers International, MTI

Grade A office market following the completion of Guoco Tower in Tanjong Pagar and DUO in Beach Road.

### Potential Supply

Based on available information from the Urban Redevelopment Authority (URA) and Colliers International's estimates, there is over 9.0 million sf of new office space expected between 2017 and 2021. As at end-2016, 2017 is expected to yield the highest upcoming office supply at 2.8 million sf. The annual net supply from upcoming developments between 2017 and 2021 averages at about 1.8 million sf.

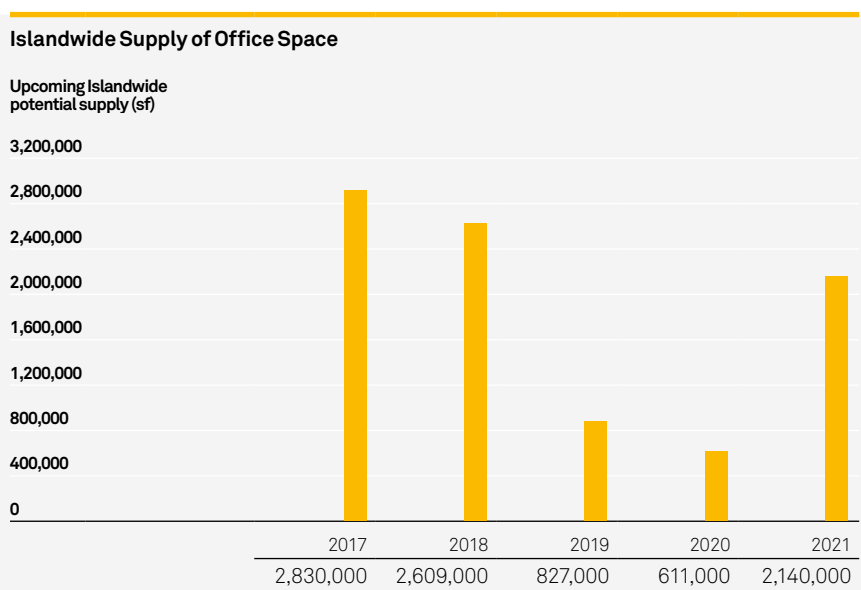
Location-wise, approximately 76.6% (6.9 million sf) of the total new upcoming office space from 2017 to 2021 is situated in the CBD. Another 12.0% (1.1 million sf) and 11.4% (1.0 million sf) are located in the City Fringe and Suburban areas, respectively.

Significant office building completions in 2017 are mainly concentrated in the CBD. These include Marina One and UIC Building with net lettable area (NLA) of 1.9 million sf and 0.3 million sf respectively. In 2018, Frasers Tower

<sup>1</sup> Source: Ministry of Trade and Industry, 17 February 2017.

<sup>2</sup> Colliers International's definition of the CBD includes five micro-markets namely Raffles Place/Marina Bay, Tanjong Pagar, City Hall, Beach Road and Orchard Road.

<sup>3</sup> Based on GDP at 2010 market price.



Sources: Colliers International, URA, Company websites

### Major Upcoming Premium and Grade A Office Buildings in CBD

Year	Development	Estimated NLA (sf)
2017	Marina One	1.9 million
2017	UIC Building	0.3 million
2018	Frasers Tower	0.7 million
2019	Redevelopment of Funan IT Mall	0.2 million
2020	79 Robinson Road (former CPF Building)	0.5 million
2021	Central Boulevard site	1.3 million

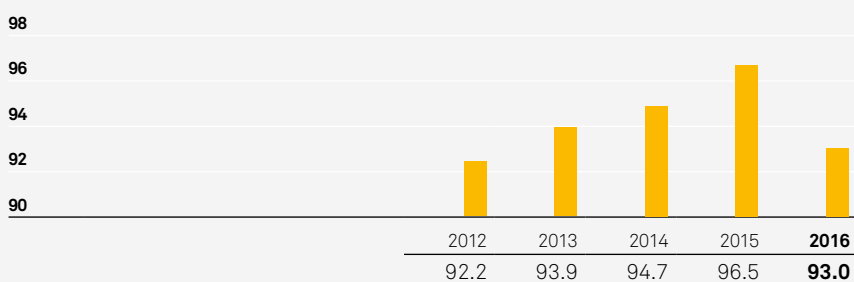
Sources: Colliers International, URA, Company websites

*Cautious market sentiments and a flight-to-quality trend, as well as availability of new office spaces saw overall demand and occupancy levels in Singapore's CBD fluctuate throughout 2016.*



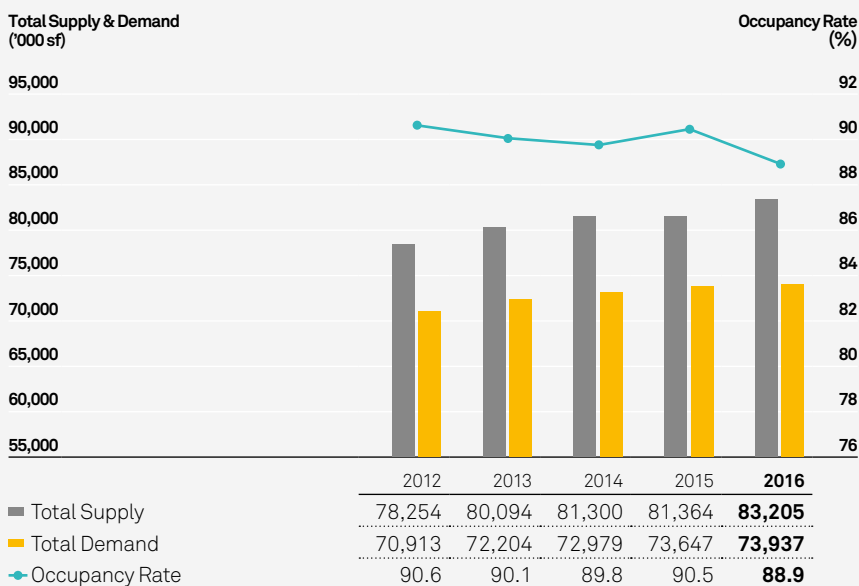
## Market Review

Occupancy Rate for Premium and Grade A Office Buildings in the CBD (%)



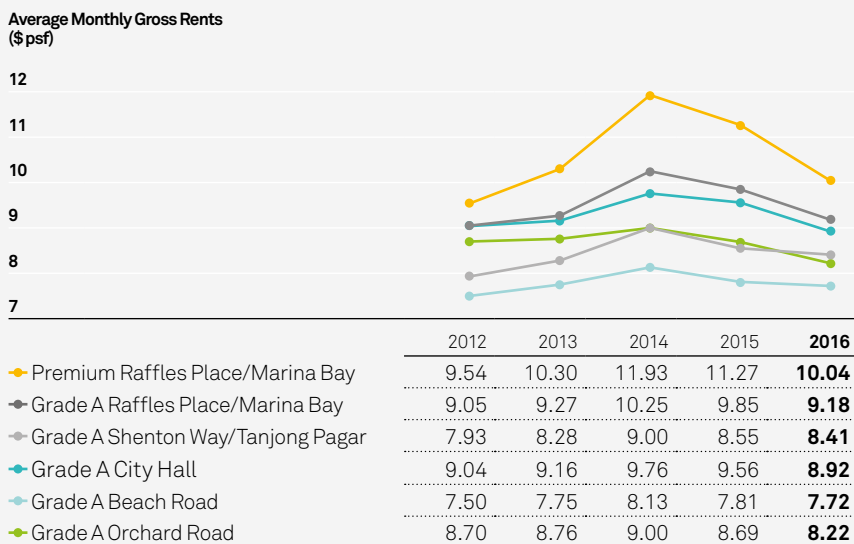
Source: Colliers International

Islandwide Supply, Demand and Occupancy Rate



Sources: Colliers International, URA REALIS

Average Monthly Gross Office Rents by Micro-markets



Source: Colliers International

(0.7 million sf) in the CBD and Woods Square (0.5 million sf) in the suburban area are expected to receive their Temporary Occupation Permits.

### Demand and Occupancy

Cautious market sentiments and a flight-to-quality trend, as well as availability of office spaces from newly completed buildings such as Guoco Tower saw overall demand and occupancy levels in the CBD Premium and Grade A developments fluctuate throughout 2016.

As at end-2016, islandwide occupancy rate decreased to 88.9% in 2016 from 90.5% a year ago. Occupancy<sup>1</sup> for Premium and Grade A office buildings in the CBD was also down at 93.0%, compared with 96.5% in 2015.

The downside risks facing the financial sector since 2015 continued into 2016, which saw a considerable number of corporate restructuring activities and pre-termination of leases in the CBD. Notwithstanding this, there were still pockets of strength from this sector such as Swiss private bank Julius Baer and Daiwa Capital Markets, both of which increased their office space usage at Marina One.

Whilst the banking sector has been the primary driver of office demand in the CBD, the demographics of large office space occupiers have changed in recent years to include tenants from other industries, especially from the Technology, Media and Telecommunications sector. For example, online accommodation provider, Airbnb, expanded its space at 158 Cecil Street to 30,000 sf. Cybersecurity firm, Palo Alto Networks, and IT solutions provider for the travel industry, Amadeus GDS Singapore, also increased their existing space of 20,000 sf in Millenia Tower and Parkview Square respectively to 36,000 sf at Guoco Tower.

Co-working space operators are also increasing their foothold in the CBD. This includes Just Office that will take up 40,000 sf of office space in the new UIC Building. Other tenants such as SAS Institute, K Line, Agoda, Manpower Group and Accor Hotels, have also expanded and relocated to Guoco Tower.

In 2016, new tenants in Keppel REIT's portfolio came mainly from the banking & financial services, real estate and government sectors. Some of these tenants include World Bank Group, Shanghai Pudong Bank, Cathay United Bank, Union Bancaire Privée, Knight Frank

Singapore and the Minister for Finance – State of Victoria.

### Rents

The downward pressure on office rents continued into 2016 on the back of global headwinds, modest growth in the local economy and the impending supply of office space. The average monthly gross rent for Premium and Grade A office buildings in the CBD registered a 5.0%<sup>2</sup> year-on-year (y-o-y) decline from \$9.01 psf as at 4Q 2015 to \$8.56 psf as at 4Q 2016.

Across micro-markets, average monthly gross rent for Premium buildings in the Raffles Place/Marina Bay area fell the most by 10.9% y-o-y from \$11.27 psf as at 4Q 2015 to \$10.04 psf as at 4Q 2016. Over the same period, the average monthly gross office rent for Grade A buildings in the same precinct fell at a lower magnitude by 6.8% y-o-y from \$9.85 psf to \$9.18 psf.

### Singapore Investment Sales Market

Interest in Singapore's commercial assets picked up in 2016 as institutional investors sought safer investment havens. Office investment sales<sup>3</sup> in 2016 amounted to \$6.5 billion, a significant 69.3%<sup>4</sup> increase over the \$3.8 billion in 2015.

Notably, 2Q 2016 saw record-high investment sales amounting to \$5.2 billion, compared with \$25.0 million in 1Q 2016. This is due mainly to the largest single-tower real estate sale transaction in Asia Pacific to-date – Asia Square Tower 1 at \$3.4 billion or \$2,626 psf. Another record transaction on a per square foot basis was the sale of Straits Trading Building at \$3,520 psf, amounting to a total of \$560.0 million. The sale of the 60% stake in CapitaGreen was also transacted at about \$960.3 million, or \$2,276 psf.

As at 4Q 2016, the net yield of Premium and Grade A office buildings in Raffles Place/Marina Bay area was 3.5%.

### Market Outlook

Growth forecast for 2017 is expected to remain tepid, largely weighed down by renewed turmoil in global markets on the back of considerable political and economic uncertainties in Europe, potential changes to US trade policy under the new administration, and an economic slowdown in China. On a more positive note, more fiscal stimulus can be expected to support investments and exports.

The cautious sentiments are expected to impact the property market as companies maintain their cost-conscious

approach and seek to “right-size” their office space needs.

The completion of new office buildings in 2017, which include Marina One, will likely see fluctuations in overall CBD occupancy levels. The flight-to-quality trend is also expected to continue into 2017 as office occupiers choose to relocate and move into newer buildings.

Leasing interest will remain soft as new office supply in 2017 is expected to outpace the weakening demand. Landlords are likely to focus their efforts on tenant retention to maintain healthy occupancy levels for their office portfolios. Overall average occupancy levels for Premium and Grade A office buildings in the CBD are expected to drop in 2017 with older buildings facing greater pressure from rising vacancies.

The imbalance in supply and demand will continue to exert downward pressure on the office rents, albeit at a more moderated rate of decline as compared to 2016. Premium and Grade A office rents in the CBD are projected to decline between 3.0% and 5.0%, with rents expected to moderate towards end-2017.

Singapore is a well-established destination for international capital, and will continue to be attractive to global investors. Quality office assets will remain appealing to institutional players, opportunistic private equity investors, high net-worth individuals and family offices. Positive investor sentiments and healthy investment activities in 2017 are expected to maintain at a similar level as 2016.

### Australia Market Review

According to the Reserve Bank of Australia (RBA), Australia recorded a 2.4% growth for 2016.

In a survey conducted by the National Australian Bank among corporates, business conditions improved with companies reporting a pick-up in sales and profits in 2016. Average unemployment rate held steady, although labour market conditions varied across states.

In a pre-emptive move to stave off deflation and spur inflation to its target range of 2.0% to 3.0%, the RBA lowered its official cash rate by 25 basis points to 1.75% in May 2016. It lowered its cash rate further to a historic low of 1.5% in August 2016 to further stimulate economic growth. In February 2017, RBA maintained its monetary policy approach and left interest rate unchanged at 1.5%.

Looking ahead, over the next few years, RBA expects growth to be driven by further easing in China's economic growth and below-average growth in East Asian (ex-China and Japan) economies in the near term. Australia is expected to record growth of between 2.0% and 3.0% for 2017, and between 2.5% and 3.5% for 2018.

### Office Market Overview

According to the Property Council of Australia (PCA), the national vacancy rate remained steady at 10.9% as at December 2016.

PCA and Jones Lang LaSalle (JLL) reported that the office market achieved strong net absorption of approximately 326,200 sm across CBD office markets in 2016. Leasing activities remained strong in Sydney and Melbourne's CBDs, continuing its trend from 2015, while Brisbane and Perth CBDs showed early signs of recovery.

As at end-2016, Sydney and Melbourne recorded the lowest vacancy rates among Australian cities at 6.2% and 6.4% respectively, while vacancy rates for Brisbane and Perth were 15.3% and 22.5% respectively.

Across most markets, demand was driven by firms in the professional services, education, as well as finance and insurance sectors. Re-centralisation and expansionary activities also contributed to leasing demand in 2016, particularly in Brisbane and Perth.

Looking ahead, the positive leasing momentum experienced in 2016 is expected to continue into 2017, with Sydney and Melbourne remaining at the fore. Continued demand and a low supply of new offices expected over the next three years are expected to drive vacancy rates down across Australia's CBD office markets.

<sup>1</sup> Refers to the occupancy rate for the final quarter of the year.

<sup>2</sup> The overall y-o-y decline in the CBD was at a lower magnitude due to the addition of Guoco Tower and DUO, with higher achievable rents than its comparable.

<sup>3</sup> Include transactions of office properties with (1) transactional value of \$5 million and above, and (2) a minimum of 90% floor area for office use or have no more than an entire floor plates of the property allocated to other uses. These also include change of ownership via the sale of shares, as well as en-bloc and strata en-bloc sales.

<sup>4</sup> Due to the rounding of absolute figures, percentages presented herein reflect precisely the y-o-y difference of the reported numbers.

# Property Portfolio

**Tenants are the core of Keppel REIT's business. The Manager adopts a tenant-centric approach in its leasing efforts, with tenant retention as a key priority.**



### Assets Under Management

**\$8.4b**

Quality portfolio of assets in the business and financial districts of Singapore, as well as in the key Australian cities of Sydney, Melbourne, Brisbane and Perth.

### Number of Leases

**136**

Total leases concluded in 2016 was equivalent to approximately 2.2 million sf of prime office space or 1.3 million sf in attributable space.

### Proactive and Tenant-centric Leasing Strategy

The Manager strives to stay responsive to tenants' changing business needs and develops strong tenant relations to achieve high levels of service satisfaction.

Given the global economic headwinds, the Manager was cognisant that businesses and the leasing market were impacted, and adopted a tenant-centric approach in its leasing efforts, with tenant retention as a key priority.

2016 was a challenging year for the Singapore office leasing market, given the influx of spaces from newly-completed buildings, as well as the large impending supply of office spaces from buildings completing in 2017.

Notwithstanding that, the Manager concluded a total of 136 new, renewal, forward renewal and review leases in 2016. This was equivalent to approximately 2.2 million sf of prime office spaces, or 1.3 million sf in attributable space.

The cyclical headwinds exerted pressure on office rents and Keppel REIT saw an average -9% rent reversion for all the leases that

were concluded in its portfolio in 2016. In Singapore, given the quality of its properties, the Manager achieved average signing rent of \$9.60 psf<sup>1</sup> for its office leases, above the average Grade A rent of \$9.45 psf<sup>2</sup> for properties in the Singapore central business district (CBD).

As at end-2016, Keppel REIT's committed portfolio occupancy rate was 99.2% and retention rate was 95%. The Manager's pre-emptive leasing approach has also helped mitigate potential leasing risk, with only 3.9% and 1.7% of total portfolio net lettable area (NLA) due for renewal and review in 2017 respectively.

### Capturing Value

The Manager ensures its portfolio remains relevant to tenants' business needs, as well as to the changing economic and business landscapes. The Manager continuously reviews its portfolio and explores acquisition or divestment opportunities to maximise returns to Unitholders.

<sup>1</sup> For the Singapore office leases concluded in 2016 and based on a simple average calculation.

<sup>2</sup> Based on the simple average calculation of CBRE Research's quarterly rents for Grade A offices in the Singapore CBD in 2016.



*In Australia, strategically located and quality properties such as Keppel REIT's 8 Chifley Square in Sydney continue to enjoy strong occupancy.*

## Delivering Excellence in Asset Management

In 2016, the Manager continued its proactive portfolio management approach and strived for excellence through:

### 1. Maximising Performance

Rigorous leasing efforts saw a total of 136 leases concluded in 2016.

Achieved committed portfolio occupancy rate of 99.2%.

Focused efforts on retaining existing tenants, resulting in a retention rate of 95%.

Maintained a healthy lease expiry profile with 76.5% of total portfolio NLA not due for renewal till 2020 and beyond.

### 2. Enhancing Assets

Achieved high standards in environmental sustainability, with several buildings receiving the highest Green Mark Platinum and the Green Mark Pearl Awards from the Building and Construction Authority of Singapore.

Maintained top rankings in the Global Real Estate Sustainability Benchmark 2016.

### 3. Capturing Value

Divested 77 King Street in January 2016. The sale price of A\$160 million was approximately 40% above the original purchase price and 27% higher than the property's latest valuation.

## Property Portfolio Statistics

	As at 31 December 2016	As at 31 December 2015
Net lettable area	<b>3,340,019 sf</b>	3,489,791 sf
Valuation <sup>1</sup>	<b>310,296 sm</b>	324,210 sm
Number of tenants <sup>2</sup>	<b>307</b>	311
Committed occupancy	<b>99.2%</b>	99.3%
Weighted average lease expiry	<b>6 years</b>	6 years

<sup>1</sup> Based on Keppel REIT's interest in the respective properties.

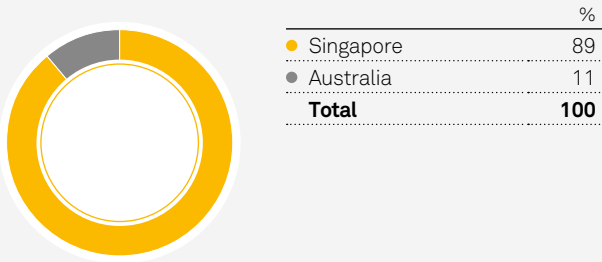
<sup>2</sup> Tenants located in more than one building are accounted as one tenant.



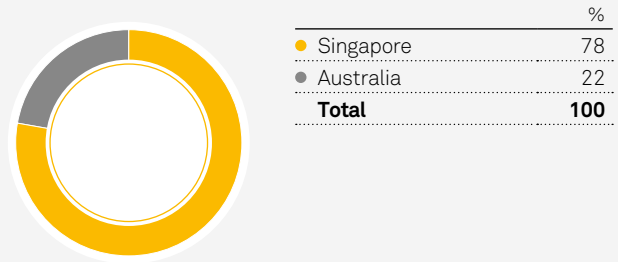
Singapore assets, including Marina Bay Financial Centre, make up approximately 89% of Keppel REIT's total portfolio by assets under management.

# Property Portfolio

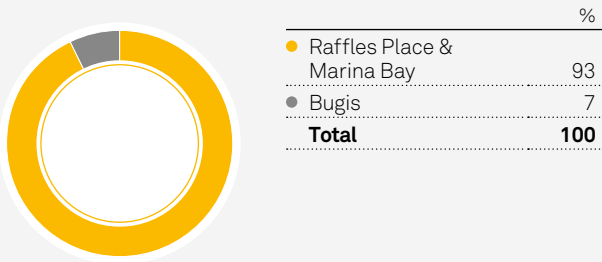
**Portfolio Asset Distribution by Value**  
as at 31 December 2016



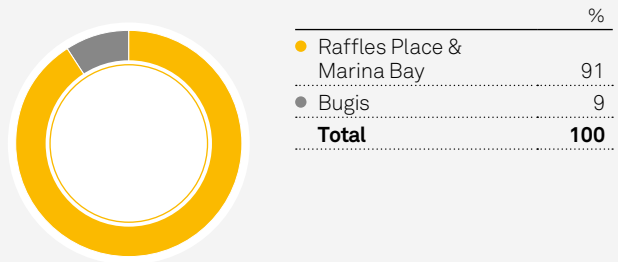
**Portfolio Asset Distribution by NLA**  
as at 31 December 2016



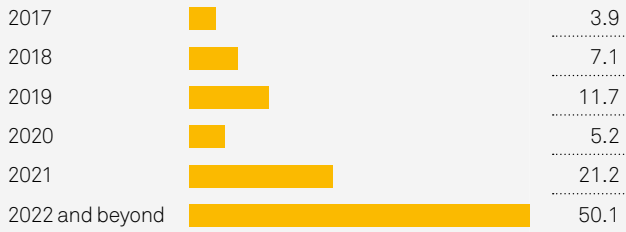
**Singapore Asset Distribution by Value**  
as at 31 December 2016



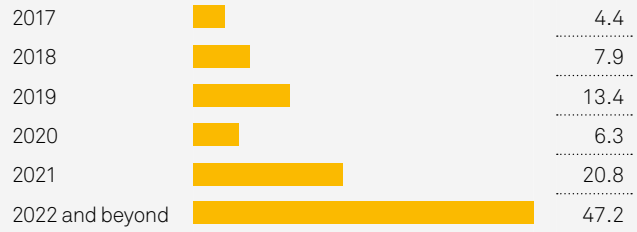
**Singapore Asset Distribution by NLA**  
as at 31 December 2016



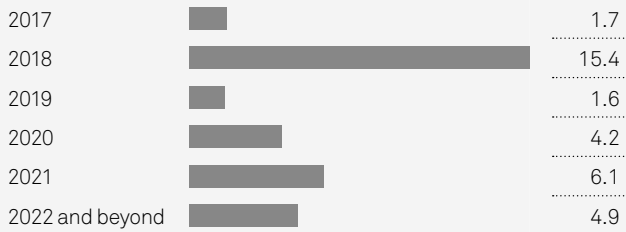
**Portfolio Lease Expiry Profile by Committed NLA (%)**  
as at 31 December 2016



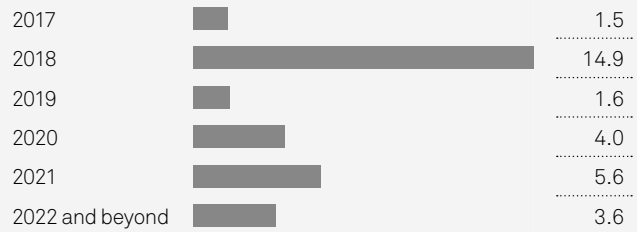
**Portfolio Lease Expiry Profile by Committed Monthly Gross Rent (%)**  
as at 31 December 2016



**Portfolio Rent Review by Committed NLA (%)**  
as at 31 December 2016



**Portfolio Rent Review by Committed Monthly Gross Rent (%)**  
as at 31 December 2016





**Notwithstanding the cyclical headwinds, the Manager achieved an average signing rent of \$9.60 psf<sup>1</sup> for the Singapore office leases in 2016. This was above the average Grade A rent of \$9.45 psf<sup>2</sup> for properties in the Singapore CBD.**

On 29 January 2016, Keppel REIT completed the divestment of its 100% interest in 77 King Street in Sydney to ARE Noble Pty Ltd, a wholly-owned subsidiary of Invesco Asia Core Fund, for A\$160 million. The sale price represented an approximate 40% premium over the original purchase price of A\$116 million in end-2010 and 27% above the property's latest valuation of A\$126 million as at 31 July 2015.

#### Premium Grade Portfolio

As at end-2016, Keppel REIT's portfolio comprised over 3.3 million sf of premium Grade A office space in Singapore, as well as in the key Australian cities of Sydney, Melbourne, Brisbane and Perth. Assets under management (AUM) was approximately \$8.4 billion as at end-2016.

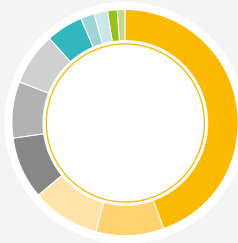
The Singapore assets make up approximately 89% of Keppel REIT's total portfolio by AUM, or \$7.5 billion. The properties in Singapore include a 99.9% interest in Ocean Financial Centre, one-third interests in Marina Bay Financial Centre and One Raffles Quay, as well as a 100% interest in Bugis Junction Towers.

The four Australian assets include a 50% interest in 8 Chifley Square in Sydney, a 50% interest in the 8 Exhibition Street office building and two retail units, as well as a 100% interest in the three adjoining retail units in Melbourne, a 50% interest in 275 George Street in Brisbane, and a 50% interest in David Malcom Justice Centre in Perth. The assets make up approximately 11% of Keppel REIT's portfolio by AUM, or \$0.9 billion.

In terms of portfolio NLA, approximately 2.6 million sf or 78% of Keppel REIT's portfolio is located in Singapore. Of this, approximately 2.4 million sf or 91% of the Singapore properties are strategically located in the core financial precincts of Raffles Place and Marina Bay. Its Australian assets, which comprise approximately 0.7 million sf of space, account for about 22% of the REIT's total portfolio.

#### Tenant Business Sector Analysis by Committed NLA

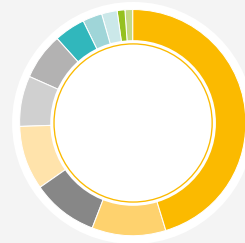
as at 31 December 2016



	%
Banking, insurance & financial services	44.6
Legal	9.8
TMT	9.6
Energy, natural resources, shipping and marine	8.9
Government agencies	8.0
Real estate & property services	7.5
Accounting & consultancy services	5.3
Retail and F&B	2.0
Services	1.8
Hospitality & leisure	1.4
Others	1.1
<b>Total</b>	<b>100.0</b>

#### Tenant Business Sector Analysis by Committed Monthly Gross Rent

as at 31 December 2016



	%
Banking, insurance & financial services	45.3
Legal	10.6
Energy, natural resources, shipping and marine	9.4
TMT	9.2
Real estate & property services	7.2
Government agencies	6.8
Accounting & consultancy services	4.3
Retail and F&B	3.0
Services	2.0
Hospitality & leisure	1.1
Others	1.1
<b>Total</b>	<b>100.0</b>

#### Portfolio Occupancy by Committed NLA (%)

as at 31 December 2016

<b>Portfolio</b>	99.2
Singapore	99.1
Australia	99.4
<b>Property</b>	
Ocean Financial Centre	99.3
Marina Bay Financial Centre	99.8
One Raffles Quay	100.0
Bugis Junction Towers	93.7
8 Chifley Square	100.0
8 Exhibition Street	98.8
275 George Street	99.3
David Malcolm Justice Centre	100.0

<sup>1</sup> For the Singapore office leases concluded in 2016 and based on a simple average calculation.

<sup>2</sup> Based on the simple average calculation of CBRE Research's quarterly rents for Grade A offices in the Singapore CBD in 2016.

## Property Portfolio

### Weighted Average Lease Expiry

as at 31 December 2016

Portfolio		6 years
Top 10 tenants		9 years
Leases committed in FY 2016 <sup>1</sup>		6 years

### Maintaining High Committed Occupancy

Despite the weaker economic growth and subdued Singapore office leasing market, Keppel REIT achieved a committed portfolio occupancy of 99.2% as at end-2016.

The average committed occupancies for the Singapore and Australian properties were 99.1% and 99.4% respectively. Committed occupancy for Keppel REIT's assets was higher than that of the average Singapore core CBD of 95.8%<sup>2</sup>, and above the Australian national CBD average of 89.1%<sup>2</sup>.

### Well-Staggered Lease Expiry Profile

The Manager continues to maintain a healthy and well-staggered lease expiry profile with only approximately 3.9% of Keppel REIT's total portfolio NLA due for renewal in 2017, and 7.1% and 11.7% due for renewal in 2018 and 2019 respectively.

The remaining 76.5% of leases are due for renewal only in 2020 and beyond when limited new office supply is expected.

### Long Weighted Average Lease Expiry

As at end-2016, Keppel REIT's weighted average lease expiry (WALE) was about six years for the overall portfolio and about nine years for the top 10 tenants.

In Singapore, long leases are usually embedded with marked-to-market rent reviews at pre-determined periods, or on a staggered structure. In Australia, leases are on a triple-net basis, and tenants are responsible for all property expenses including taxes, insurance and common area maintenance. Leases in Australia also include fixed annual rental escalations throughout the lease term.

The WALE for leases committed in 2016 was six years, and these leases constitute about 31% of Keppel REIT's monthly gross rent as at end-2016.

### Diversified Tenant Base

Keppel REIT's leases are well diversified among tenants from different industries, many of which are established corporations. As at end-2016, the total number of tenants in Keppel REIT's portfolio was 307.

Based on the total committed portfolio NLA, tenants from the banking, insurance and financial services; legal; and technology, media and telecommunications (TMT) sectors are the top three occupiers.

### Top Ten Tenants

In 2016, the top 10 tenants contributed 39.4% of the committed monthly gross rental income and 43.6% of the total committed NLA.

The top 10 tenants are from various industries, including the banking, insurance & financial services; government agencies; TMT; accounting & consultancy services; and legal sectors.

<sup>1</sup> Based on the weighted average lease term of all leases concluded in 2016. This excludes all review leases as they have no impact on the portfolio WALE.

<sup>2</sup> Sources: Singapore – CBRE, as at 4Q 2016. Australia – Property Council of Australia, as at December 2016.

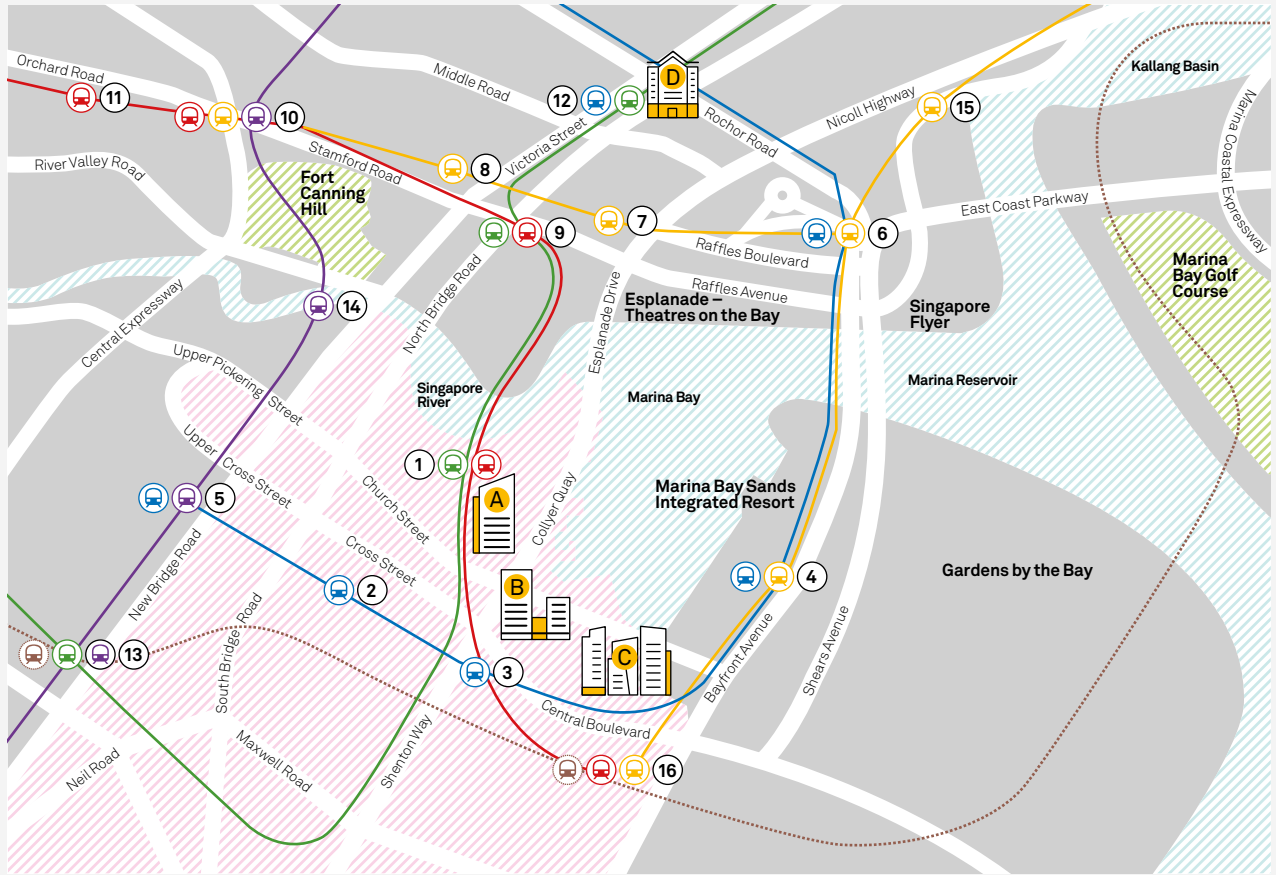
### Top 10 Tenants by Total Committed Monthly Gross Rent and Total Committed NLA

Property <sup>1</sup>	Tenant	% of Total Committed Monthly Gross Rent <sup>2</sup>	% of Total Committed NLA <sup>2</sup>	Business Sector	
1	MBFC	DBS Bank	5.7%	6.2%	Banking, insurance & financial services
2	OFC	ANZ	5.4%	5.7%	Banking, insurance & financial services
3	OFC	BNP Paribas	5.2%	4.8%	Banking, insurance & financial services
4	MBFC	Standard Chartered Bank	4.5%	4.3%	Banking, insurance & financial services
5	DMJC	Government of Western Australia	4.0%	5.0%	Government agencies
6	275GS	Telstra Corporation	3.5%	4.7%	TMT
7	ORQ & 8EX	Ernst & Young	3.1%	4.1%	Accounting & consultancy services
8	OFC	Drew & Napier	2.7%	2.9%	Legal
9	ORQ	Deutsche Bank	2.7%	2.8%	Banking, insurance & financial services
10	ORQ & 8EX	UBS	2.6%	3.1%	Banking, insurance & financial services
			<b>39.4%</b>	<b>43.6%</b>	

<sup>1</sup> MBFC: Marina Bay Financial Centre; OFC: Ocean Financial Centre; DMJC: David Malcolm Justice Centre; 275GS: 275 George Street; ORQ: One Raffles Quay; 8EX: 8 Exhibition Street.

<sup>2</sup> Based on Keppel REIT's interest in the respective properties.

## Location of Singapore Properties



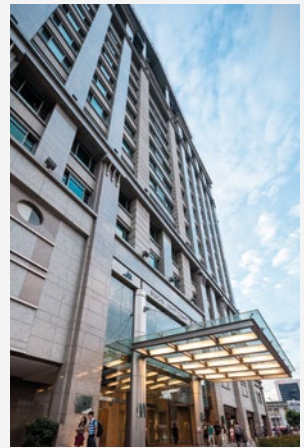
**A Ocean Financial Centre**



**B One Raffles Quay**



**C Marina Bay Financial Centre**



**D Bugis Junction Towers**

### MRT Stations

- ① Raffles Place
- ② Telok Ayer
- ③ Downtown
- ④ Bayfront
- ⑤ Chinatown
- ⑥ Promenade

- ⑦ Esplanade
- ⑧ Bras Basah
- ⑨ City Hall
- ⑩ Dhoby Ghaut
- ⑪ Somerset
- ⑫ Bugis

- ⑬ Outram Park
- ⑭ Clarke Quay
- ⑮ Nicoll Highway
- ⑯ Marina Bay

- Core CBD
- East West Line
- North South Line
- Downtown Line
- Circle Line
- North East Line
- Thomson-East Coast Line (under construction)

## Property Portfolio

### At a Glance

#### Singapore

##### Ocean Financial Centre<sup>2</sup>

**Location**  
10 Collyer Quay,  
Singapore 049315

**Title**  
Leasehold interest of 99 years  
expiring 13 December 2110

**Ownership Interest**  
Approximately 99.9%

**Acquisition Date**  
14 December 2011<sup>3</sup>  
25 June 2012<sup>3</sup>

**Purchase Price**  
\$2,298.8 million<sup>4</sup>

**Valuation<sup>1</sup>**  
\$2,627 million

**Capitalisation Rate**  
3.75%

**Attributable NLA**  
881,356 sf  
81,880 sm

**Committed Occupancy**  
99.3%

**FY 2016 Income Contribution**  
\$88.9 million

**Number of Tenants<sup>8</sup>**  
60

**Key Tenants**  
ANZ, BNP Paribas,  
Drew & Napier

**Number of Carpark Lots<sup>9</sup>**  
224



##### Marina Bay Financial Centre<sup>2,5</sup>

8, 8A, 10 and 12  
Marina Boulevard,  
Singapore 018981-4

Leasehold estate of 99 years  
expiring 10 October 2104<sup>6</sup>

Leasehold estate of 99 years  
expiring 7 March 2106<sup>7</sup>

33.3%

15 December 2010<sup>6</sup>  
16 December 2014<sup>7</sup>

\$1,426.8 million<sup>6</sup>  
\$1,248.0 million<sup>7</sup>

\$1,693 million<sup>6</sup>  
\$1,316 million<sup>7</sup>

3.75%

1,026,319 sf  
95,347 sm

99.8%

\$93.2 million

162

DBS Bank, Standard Chartered  
Bank, Barclays, BHP Billiton

1,054



##### One Raffles Quay<sup>2</sup>

1 Raffles Quay,  
Singapore 048583

Leasehold estate of 99 years  
expiring 12 June 2100

33.3%

10 December 2007

\$941.5 million

\$1,273 million

3.75%

443,603 sf  
41,212 sm

100.0%

\$29.2 million

53

Deutsche Bank, UBS,  
Ernst & Young

713



##### Bugis Junction Towers

230 Victoria Street,  
Singapore 188024

Leasehold estate of 99 years  
expiring 9 September 2089

100%

26 April 2006

\$159.5 million

\$540 million

3.75%

244,989 sf  
22,760 sm

93.7%

\$16.8 million

11

Keppel Land, International  
Enterprise Singapore,  
InterContinental Hotels Group

648<sup>10</sup>



<sup>1</sup> Valuation as at 31 December 2016 based on Keppel REIT's interest in the respective properties.

<sup>2</sup> Refers to Keppel REIT's respective interest in the development and not as a whole unless otherwise stated.

<sup>3</sup> An approximate 87.5% interest of the building was acquired on 14 December 2011 and an approximate 12.4% interest of the building was acquired on 25 June 2012.

<sup>4</sup> Based on purchase price of \$2,013.1 million as at 14 December 2011, and \$285.7 million as at 25 June 2012.

<sup>5</sup> Comprises Marina Bay Financial Centre (MBFC) office Towers 1, 2 and 3 and Marina Bay Link Mall (MBLM).

<sup>6</sup> Refers to MBFC office Towers 1 and 2, and MBLM.

<sup>7</sup> Refers to MBFC Tower 3.

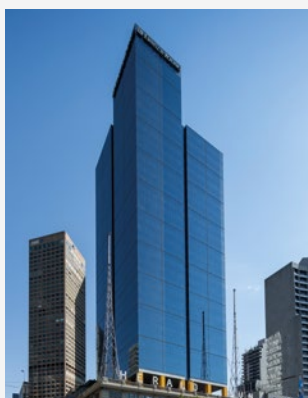
<sup>8</sup> Tenants located in more than one building are accounted as one tenant when computing the total number of tenants.

<sup>9</sup> Refers to all available carpark lots in the respective properties, excluding loading and unloading bays.

<sup>10</sup> Carpark lots are owned and managed by the Management Corporation.

## Australia

8 Chifley Square <sup>3</sup>	8 Exhibition Street <sup>3,4</sup>	275 George Street <sup>3</sup>	David Malcolm Justice Centre <sup>3</sup>
<b>Location</b> 8 Chifley Square, Sydney, New South Wales 2000, Australia	8 Exhibition Street, Melbourne, Victoria 3000, Australia	275 George Street, Brisbane, Queensland 4000, Australia	28 Barrack Street and 585 Hay Street, Perth, Western Australia 6000, Australia
<b>Title</b> Leasehold estate of 99 years expiring 5 April 2105	Freehold	Freehold	Leasehold estate of 99 years expiring 30 August 2114
<b>Ownership Interest</b> 50%	50% <sup>4</sup>	50%	50%
<b>Acquisition Date</b> 28 July 2011	1 August 2013 <sup>5</sup> 12 October 2015 <sup>6</sup>	1 March 2010	28 March 2013
<b>Purchase Price</b> \$197.8 million	\$192.4 million <sup>5</sup> \$8.9 million <sup>6</sup>	\$209.4 million	\$208.1 million
<b>Valuation<sup>1,2</sup></b> \$235.9 million	\$236.9 million	\$213.9 million	\$220.0 million
<b>Capitalisation Rate</b> 5.00%	5.25% <sup>5</sup> 4.50% <sup>6</sup>	6.25%	5.50%
<b>Attributable NLA</b> 104,138 sf 9,675 sm	247,142 sf 22,960 sm	224,688 sf 20,874 sm	167,784 sf 15,588 sm
<b>Committed Occupancy</b> 100.0%	98.8%	99.3%	100.0%
<b>FY 2016 Income Contribution</b> \$12.2 million	\$11.2 million	\$15.0 million	\$12.0 million
<b>Number of Tenants</b> 8	21	8	2
<b>Key Tenants</b> Corrs Chambers Westgarth, Quantum Group, QBE Insurance Group	Ernst & Young, Minister for Finance – State of Victoria, UBS, CBRE	Telstra Corporation, Queensland Gas Company	Government of Western Australia
<b>Number of Carpark Lots<sup>7</sup></b> 32	–	233	191



<sup>1</sup> Valuation as at 31 December 2016 based on Keppel REIT's interest in the respective properties.

<sup>2</sup> Based on the exchange rate of A\$1 = S\$1.06.

<sup>3</sup> Refers to Keppel REIT's respective interest in the development and not as a whole unless otherwise stated.

<sup>4</sup> Keppel REIT owns a 50% interest in the 8 Exhibition Street office tower and two retail units, as well as a 100% interest in the three adjoining retail units.

<sup>5</sup> Refers to Keppel REIT's 50% interest in the office building and two retail units.

<sup>6</sup> Refers to Keppel REIT's 100% interest in the three adjoining retail units.

<sup>7</sup> Refers to all available carpark lots in the respective properties, excluding loading and unloading bays.

# Property Portfolio

Singapore

## Ocean Financial Centre

### Key Statistics

as at 31 December 2016

#### Location

10 Collyer Quay,  
Singapore 049315

#### Ownership Interest

Approximately 99.9%

#### Attributable NLA

881,356 sf / 81,880 sm

#### Title

Leasehold interest of 99 years  
expiring 13 December 2110

#### Committed Occupancy

99.3%

#### Acquisition Date<sup>1</sup>

14 December 2011  
25 June 2012

#### Valuation<sup>2</sup>

\$2,627 million

#### Number of Tenants

60

#### Number of Carpark Lots

224

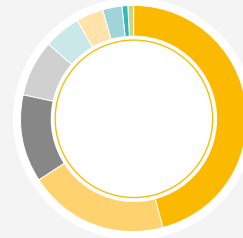
#### FY 2016 Income Contribution

\$88.9 million

The 43-storey Ocean Financial Centre is a premium Grade A building strategically located at the intersection of the Raffles Place and Marina Bay financial precincts. It offers over 882,000 sf of premium office space in total, with large column-free floor plates of between 20,000 sf and 25,000 sf. For its outstanding architecture, as well as sustainable and green features, the building has been recertified with the highest Green Mark Platinum Award by the Building and Construction Authority (BCA) of Singapore in 2016.



### Tenant Business Sector Analysis by Committed Monthly Gross Rent as at 31 December 2016



	%
● Banking, insurance & financial services	46.0
● Legal	20.1
● Energy, natural resources, shipping and marine	12.5
● Real estate & property services	8.0
● Services	5.1
● TMT	4.0
● Retail and F&B	2.8
● Accounting & consultancy services	0.8
● Others	0.7
<b>Total</b>	<b>100.0</b>

### Top Five Tenants

as at 31 December 2016

	% of Total Committed Monthly Gross Rent
ANZ	19.0
BNP Paribas	18.3
Drew & Napier	9.5
The Executive Centre Singapore	4.7
Trafigura	4.7

### Lease Expiry Profile by Committed Monthly Gross Rent (%)

as at 31 December 2016

2017	6.3
2018	10.4
2019	11.0
2020	6.8
2021	22.0
2022 & beyond	43.5

<sup>1</sup> The approximate 87.5% and 12.4% interests of the building were acquired on 14 December 2011 and 25 June 2012 respectively.

<sup>2</sup> Valuation as at 31 December 2016 based on Keppel REIT's interest in the property.

## Marina Bay Financial Centre

### Key Statistics

as at 31 December 2016

#### Location

8, 8A, 10 and 12 Marina Boulevard,  
Singapore 018981-4

#### Ownership Interest

33.3%

#### Attributable NLA

1,026,319 sf/95,347 sm

#### Title

Leasehold estate of 99 years  
expiring 10 October 2104<sup>2</sup>

Leasehold estate of 99 years  
expiring 7 March 2106<sup>3</sup>

#### Committed Occupancy

99.8%

#### Acquisition Date

15 December 2010<sup>2</sup>

16 December 2014<sup>3</sup>

#### Valuation<sup>1</sup>

\$1,693 million<sup>2</sup>

\$1,316 million<sup>3</sup>

#### Number of Tenants

162

#### Number of Carpark Lots

1,054

#### FY 2016 Income Contribution

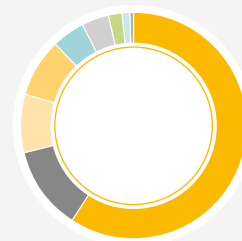
\$93.2 million

Marina Bay Financial Centre is an integrated development with three premium Grade A office towers and the subterranean Marina Bay Link Mall. Positioned as Asia's Best Business Address™, it comprises a total of over 3 million sf of prime space with large column-free floor plates of between 20,000 sf and 45,000 sf. The office towers are interconnected at the street level and via an underground pedestrian network that also links Marina Bay Financial Centre to office buildings in the Marina Bay precinct, as well as to the Downtown and Raffles Place MRT stations. Marina Bay Financial Centre Tower 3 was conferred the highest BCA Green Mark Platinum Award in 2016.



### Tenant Business Sector Analysis by Committed Monthly Gross Rent

as at 31 December 2016



	%
● Banking, insurance & financial services	59.5
● Energy, natural resources, shipping and marine	12.0
● TMT	8.4
● Legal	8.2
● Retail and F&B	4.8
● Real estate & property services	4.0
● Others	1.9
● Services	1.0
● Government agencies	0.2
<b>Total</b>	<b>100.0</b>

### Top Five Tenants

as at 31 December 2016

	% of Total Committed Monthly Gross Rent
DBS Bank	17.1
Standard Chartered Bank	13.5
Barclays	6.8
BHP Billiton	4.1
Nomura	3.5

### Lease Expiry Profile by Committed Monthly Gross Rent (%)

as at 31 December 2016

2017	4.6
2018	6.2
2019	16.4
2020	8.5
2021	22.6
2022 & beyond	41.7

<sup>1</sup> Valuation as at 31 December 2016 based on Keppel REIT's interest in the property.

<sup>2</sup> Refers to MBFC office Towers 1 and 2, and Marina Bay Link Mall.

<sup>3</sup> Refers to MBFC Tower 3.

# Property Portfolio

Singapore

## One Raffles Quay

### Key Statistics

as at 31 December 2016

#### Location

1 Raffles Quay,  
Singapore 048583

#### Ownership Interest

33.3%

#### Attributable NLA

443,603 sf / 41,212 sm

#### Title

Leasehold estate of 99 years  
expiring 12 June 2100

#### Committed Occupancy

100.0%

#### Acquisition Date

10 December 2007

#### Valuation<sup>1</sup>

\$1,273 million

#### Number of Tenants

53

#### Number of Carpark Lots

713

#### FY 2016 Income Contribution

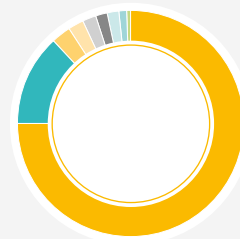
\$29.2 million

A landmark commercial development in the Marina Bay precinct, One Raffles Quay comprises two prime office towers of approximately 1.3 million sf of prime spaces in total. The 50-storey North Tower offers column-free floor plates of 18,000 sf, while the 29-storey South Tower offers spacious 30,000 sf on each floor. Tenants enjoy excellent connectivity between both towers, as well as to the Downtown and Raffles Place MRT stations via an underground pedestrian network. One Raffles Quay has been conferred the highest Green Mark Platinum Award by BCA in 2016.



### Tenant Business Sector Analysis by Committed Monthly Gross Rent

as at 31 December 2016



	%
Banking, insurance & financial services	75.9
Accounting & consultancy services	12.9
Legal	2.8
TMT	2.2
Real estate & property services	2.1
Energy, natural resources, shipping and marine	1.7
Services	1.6
Retail and F&B	0.6
Others	0.2
<b>Total</b>	<b>100.0</b>

### Top Five Tenants

as at 31 December 2016

	% of Total Committed Monthly Gross Rent
Deutsche Bank	19.3
UBS	14.8
Ernst & Young	10.1
ABN AMRO	5.2
Royal Bank of Scotland	4.0

### Lease Expiry Profile by Committed Monthly Gross Rent (%)

as at 31 December 2016

2017	5.0
2018	8.0
2019	20.4
2020	6.8
2021	22.8
2022 & beyond	37.0

<sup>1</sup> Valuation as at 31 December 2016 based on Keppel REIT's interest in the property.



## Bugis Junction Towers

### Key Statistics

as at 31 December 2016

#### Location

230 Victoria Street,  
Singapore 188024

#### Acquisition Date

26 April 2006

#### Ownership Interest

100%

#### Valuation<sup>1</sup>

\$540 million

#### Attributable NLA

244,989 sf / 22,760 sm

#### Number of Tenants

11

#### Title

Leasehold estate of 99 years  
expiring 9 September 2089

#### Number of Carpark Lots<sup>2</sup>

648

#### Committed Occupancy

93.7%

#### FY 2016 Income Contribution

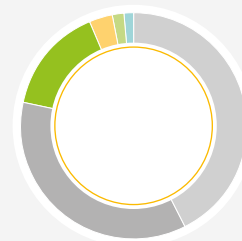
\$16.8 million

The 15-storey Bugis Junction Towers is located directly above the Bugis MRT interchange station, which serves both the East West Line and Downtown Line. With floor plates of approximately 20,000 sf, the building is able to meet the needs of smaller office tenants of between 3,000 sf and 10,000 sf. Bugis Junction Towers was conferred the highest BCA Green Mark Platinum Award in 2014 for its green features and was also recognised at the ASEAN Energy Awards 2016 as a sustainable building.



### Tenant Business Sector Analysis by Committed Monthly Gross Rent

as at 31 December 2016



	%
Real estate & property services	42.5
Government agencies	35.9
Hospitality & leisure	15.3
Legal	3.3
Others	1.6
Retail and F&B	1.4
<b>Total</b>	<b>100.0</b>

### Top Five Tenants

as at 31 December 2016

	% of Total Committed Monthly Gross Rent
Keppel Land	37.1
International Enterprise Singapore	35.9
InterContinental Hotels Group	13.0
Shenton Holdings	4.8
Viering, Jentschura & Partners	2.3

### Lease Expiry Profile by Committed Monthly Gross Rent (%)

as at 31 December 2016

2017	3.0
2018	0.6
2019	2.3
2020	5.8
2021	37.1
2022 & beyond	51.2

<sup>1</sup> Valuation as at 31 December 2016.

<sup>2</sup> Carpark lots are owned and managed by the Management Corporation.

# Property Portfolio

## Australia

### 8 Chifley Square

#### Key Statistics

as at 31 December 2016

#### Location

8 Chifley Square, Sydney,  
New South Wales 2000, Australia

#### Ownership Interest

50%

#### Attributable NLA

104,138 sf / 9,675 sm

#### Title

Leasehold estate of 99 years  
expiring 5 April 2105

#### Committed Occupancy

100%

#### Acquisition Date

28 July 2011

#### Valuation<sup>1,2</sup>

\$235.9 million

#### Number of Tenants

8

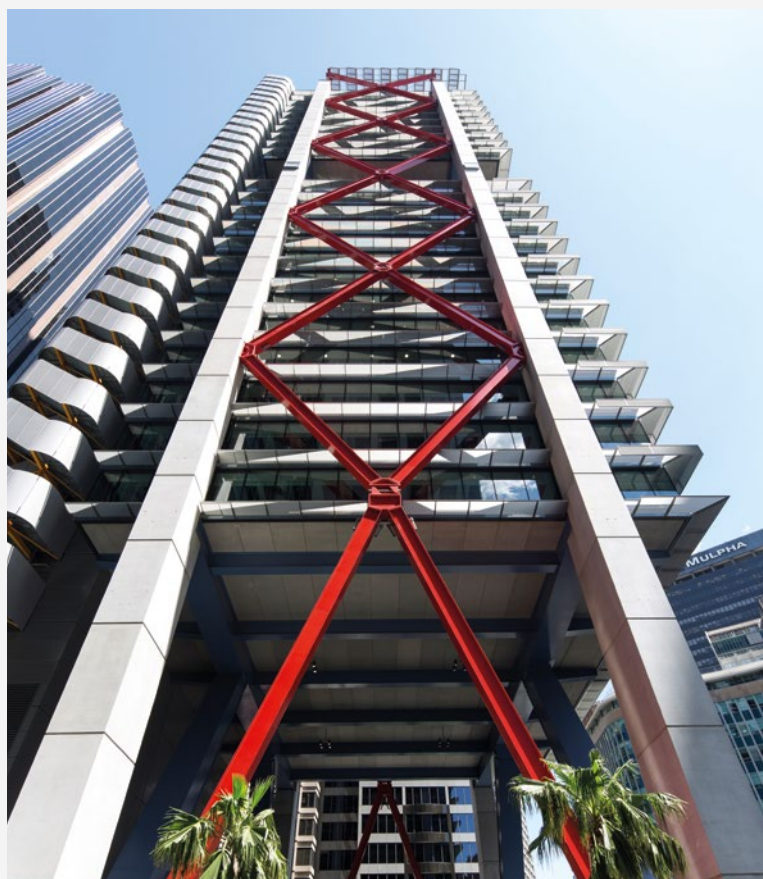
#### Number of Carpark Lots

32

#### FY 2016 Income Contribution

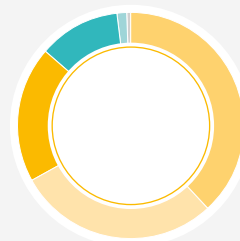
\$12.2 million

Strategically located at the junction of Hunter Street and Elizabeth Street, 8 Chifley Square offers tenants premium grade office space in Sydney's prime business precinct. Recognised for its unique and revolutionary design, 8 Chifley Square is also known for its distinctive "vertical village" concept that allows connectivity to foster greater collaboration among employees. 8 Chifley Square holds the 6-Star Green Star – Office Design v2 rating awarded by the Green Building Council of Australia and was recertified with a 5-Star NABERS Energy rating in 2016.



#### Tenant Business Sector Analysis by Committed Monthly Gross Rent

as at 31 December 2016



	%
Legal	38.5
TMT	29.5
Banking, insurance & financial services	19.2
Accounting & consultancy services	11.8
Retail and F&B	0.9
Real estate & property services	0.1
<b>Total</b>	<b>100.0</b>

#### Top Five Tenants

as at 31 December 2016

	% of Total Committed Monthly Gross Rent
Corrs Chambers Westgarth	38.5
Quantium Group	29.5
QBE Insurance Group	16.7
PPB Advisory	11.8
Natixis	2.5

#### Lease Expiry Profile by Committed Monthly Gross Rent (%)

as at 31 December 2016

2017	-
2018	0.9
2019	2.6
2020	-
2021	29.5
2022 & beyond	67.0

<sup>1</sup> Valuation as at 31 December 2016 based on Keppel REIT's interest in the property.

<sup>2</sup> Based on the exchange rate of A\$1 = S\$1.06.

## 8 Exhibition Street

### Key Statistics

as at 31 December 2016

#### Location

8 Exhibition Street, Melbourne, Victoria 3000, Australia

#### Ownership Interest

50%<sup>1</sup>

#### Attributable NLA

247,142 sf / 22,960 sm

#### Title

Freehold

#### Acquisition Date

1 August 2013<sup>2</sup>  
12 October 2015<sup>3</sup>

#### Valuation<sup>4</sup>

\$236.9 million<sup>1,5</sup>

#### Number of Tenants

21

#### Number of Carpark Lots

–

#### Committed Occupancy

98.8%

#### FY 2016 Income Contribution

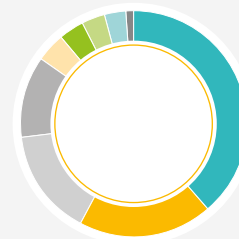
\$11.2 million

8 Exhibition Street is a 35-storey freehold premium grade commercial building, located at the precinct better known as the “Paris End” of Melbourne’s CBD. Keppel REIT owns a 50% interest in the office building and two retail units, as well as a 100% interest in the three remaining prime street-fronting retail units. Rising above the historic Herald and Weekly Times Building, the development has a total lettable area of about 490,000 sf, and was recertified with a 4.5-Star NABERS Energy rating in 2016.



### Tenant Business Sector Analysis by Committed Monthly Gross Rent

as at 31 December 2016



	%
Accounting & consultancy services	38.7
Banking, insurance & financial services	19.2
Real estate & property services	15.4
Government agencies	11.5
TMT	4.2
Hospitality & leisure	3.5
Others	3.4
Retail and F&B	3.0
Energy, natural resources, shipping and marine	1.1
<b>Total</b>	<b>100.0</b>

### Top Five Tenants

as at 31 December 2016

	% of Total Committed Monthly Gross Rent
Ernst & Young	35.6
Minister for Finance – State of Victoria	11.5
UBS	10.6
CBRE	7.1
National Australia Bank	5.3

### Lease Expiry Profile by Committed Monthly Gross Rent (%)

as at 31 December 2016

2017	2.7
2018	12.0
2019	5.1
2020	0.3
2021	9.1
2022 & beyond	70.8

<sup>1</sup> Keppel REIT owns a 50% interest in the office building and two retail units, as well as a 100% interest in the three adjoining retail units.

<sup>2</sup> Refers to Keppel REIT’s 50% interest in the office building and two retail units.

<sup>3</sup> Refers to Keppel REIT’s 100% interest in the three adjoining retail units.

<sup>4</sup> Valuation as at 31 December 2016 based on Keppel REIT’s interest in the property.

<sup>5</sup> Based on the exchange rate of A\$1 = S\$1.06.

# Property Portfolio

## Australia

### 275 George Street

#### Key Statistics

as at 31 December 2016

#### Location

275 George Street,  
Brisbane, Queensland 4000,  
Australia

#### Ownership Interest

50%

#### Attributable NLA

224,688 sf / 20,874 sm

#### Title

Freehold

#### Committed Occupancy

99.3%

#### Acquisition Date

1 March 2010

#### Valuation<sup>1</sup>

\$213.9 million<sup>2</sup>

#### Number of Tenants

8

#### Number of Carpark Lots

233

#### FY 2016 Income Contribution

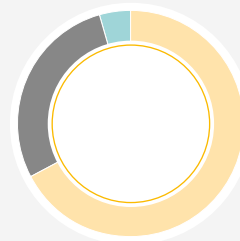
\$15.0 million

275 George Street is a prime landmark Grade A building in Brisbane's CBD. It is strategically situated between the city's two largest railway stations – Roma Street Railway Station and Central Railway Station. The 30-storey building offers approximately 450,000 sf of prime office space with panoramic views of Brisbane River and the cityscape. For its efficient design technology, 275 George Street has achieved 5-Star NABERS Energy rating in 2016.



#### Tenant Business Sector Analysis by Committed Monthly Gross Rent

as at 31 December 2016



	%
● TMT	67.3
● Energy, natural resources, shipping and marine	28.5
● Retail and F&B	4.2
<b>Total</b>	<b>100.0</b>

#### Top Five Tenants

as at 31 December 2016

	% of Total Committed Monthly Gross Rent
Telstra Corporation	67.2
Queensland Gas Company	28.5
Savilo	1.9
Smart Clinic	0.9
ASN Retail Developments	0.6

#### Lease Expiry Profile by Committed Monthly Gross Rent (%)

as at 31 December 2016

2017	0.6
2018	21.5
2019	27.1
2020	1.4
2021	0.3
2022 & beyond	49.1

<sup>1</sup> Valuation as at 31 December 2016 based on Keppel REIT's interest in the property.

<sup>2</sup> Based on the exchange rate of A\$1 = S\$1.06.

## David Malcolm Justice Centre

### Key Statistics

as at 31 December 2016

#### Location

28 Barrack Street and 585 Hay Street,  
Perth, Western Australia 6000,  
Australia

#### Ownership Interest

50%

#### Attributable NLA

167,784 sf/15,588 sm

#### Title

Leasehold estate of 99 years  
expiring 30 August 2114

#### Committed Occupancy

100%

#### Acquisition Date

28 March 2013

#### Valuation<sup>1</sup>

\$220.0 million<sup>2</sup>

#### Number of Tenants

2

#### Number of Carpark Lots

191

#### FY 2016 Income Contribution

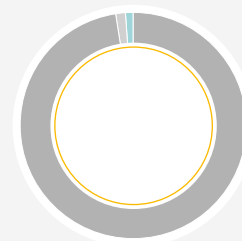
\$12.0 million

The 35-storey David Malcolm Justice Centre and its annexe are built on the landmark site of the Old Treasury Building. Strategically located in Perth's CBD at the junction of Barrack Street and St Georges Terrace, the office tower is 100% leased to the Government of Western Australia. It houses the Supreme Court's civil functions, judicial chambers, as well as the departments of Treasury and the Attorney General. Offering a total lettable area of approximately 336,000 sf, the building was named after one of the Western Australia's most esteemed figures, the late Justice David Malcolm. In 2014, the building achieved the 5-Star Green Star – Office Design v3 rating from the Green Building Council of Australia.



### Tenant Business Sector Analysis by Committed Monthly Gross Rent

as at 31 December 2016



	%
● Government agencies	98.6
● Real estate & property services	0.9
● Retail and F&B	0.5
<b>Total</b>	<b>100.0</b>

### Top Five Tenants

as at 31 December 2016

	% of Total Committed Monthly Gross Rent
Government of Western Australia	98.6
Mirvac Real Estate	1.4

### Lease Expiry Profile by Committed Monthly Gross Rent (%)

as at 31 December 2016

2017	-
2018	-
2019	-
2020	1.4
2021	-
2022 & beyond	98.6

<sup>1</sup> Valuation as at 31 December 2016 based on Keppel REIT's interest in the property.

<sup>2</sup> Based on the exchange rate of A\$1 = S\$1.06.

## Financial Review

**The challenging market environment saw Keppel REIT deliver distributable income of \$208.1 million in 2016, which was lower year-on-year due mainly to the absence of income from 77 King Street and lower income contribution from Bugis Junction Towers.**



### Distribution per Unit (DPU)

# 6.37cts

Delivered 6.37 cents in DPU in 2016, translating to a yield of 6.2%<sup>1</sup>.

### Aggregate Leverage

# 38.5%

Improved to 38.5% as at end-2016, from 39.3% a year ago.

<sup>1</sup> Based on the market closing price of \$1.02 per Unit as at 31 December 2016.

Keppel REIT recorded a distributable income of \$208.1 million for the financial year ended 31 December 2016 (FY 2016), a 4.2% decrease from \$217.3 million for the financial year ended 31 December 2015 (FY 2015).

The decrease was attributable mainly to the absence of income from the divested 77 King Street Office Tower, and lower income contribution from Bugis Junction Towers.

Keppel REIT's share of results of associates and joint ventures increased 10.3% and 79.4% respectively to \$83.5 million and \$30.8 million, due mainly to better performance from Keppel REIT's interests in One Raffles Quay and 8 Chifley Square in Sydney, as well as the full-year income contribution from David Malcolm Justice Centre in Perth, which was handed over to the Government of Western Australia on 30 November 2015.

### Strategic Divestment

On 29 January 2016, Keppel REIT divested its 100% interest in the 77 King Street Office Tower in Sydney for A\$160 million. The sale price is approximately 40% above Keppel REIT's original purchase price of A\$116 million in end-2010 and an approximate 27% premium

over the property's latest valuation of A\$126 million as at 31 July 2015. The divestment was in line with the Manager's aim to maximise and capture value for Unitholders.

Despite the divestment of the 77 King Street Office Tower, Keppel REIT maintained assets under management (AUM) of approximately \$8.4 billion as at 31 December 2016. These comprised eight quality assets with 11 office towers in the central business districts of Singapore and key cities of Australia.

The assets in Singapore are an approximate 99.9% interest in Ocean Financial Centre (Ocean Financial Centre Interest), a 100% interest in Bugis Junction Towers, a one-third interest in Marina Bay Financial Centre (comprising office Towers 1, 2 and 3 and the subterranean mall, Marina Bay Link Mall) and a one-third interest in One Raffles Quay.

The assets in Australia are a 50% interest in 8 Chifley Square in Sydney (8 Chifley Square Interest), a 50% interest in the office building and two retail units, as well as a 100% interest in the three adjoining retail units at 8 Exhibition Street in

### Financial Year Ended 31 December 2016

1Q 2016 Results Announcement	14 April 2016
1Q 2016 Distribution to Unitholders	27 May 2016
First Half 2016 Results Announcement	19 July 2016
2Q 2016 Distribution to Unitholders	26 August 2016
3Q 2016 Results Announcement	18 October 2016
3Q 2016 Distribution to Unitholders	25 November 2016
Full Year 2016 Results Announcement	24 January 2017
4Q 2016 Distribution to Unitholders	28 February 2017
Despatch of Annual Report to Unitholders	30 March 2017
Annual General Meeting	21 April 2017

### Financial Year Ending 31 December 2017

1Q 2017 Results Announcement	April 2017
First Half 2017 Results Announcement	July 2017
3Q 2017 Results Announcement	October 2017
Full Year 2017 Results Announcement	January 2018

## Overview

	FY 2016 \$'000	FY 2015 \$'000	Change %
Property income	<b>161,252</b>	170,347	(5.3)
Property expenses	<b>(32,882)</b>	(32,882)	–
Net property income	<b>128,370</b>	137,465	(6.6)
Share of results of associates	<b>83,460</b>	75,695	10.3
Share of results of joint ventures	<b>30,789</b>	17,163	79.4
Interest income and rental support	<b>44,205<sup>1</sup></b>	57,420 <sup>2</sup>	(23.0)
Manager's management fees	<b>(50,515)</b>	(49,984)	1.1
Other operating expenses	<b>(76,686)</b>	(88,983)	(13.8)
Net income	<b>159,623</b>	148,776	7.3
Gain on divestment of investment property	<b>28,299</b>	–	100.0
Net change in fair value of investment properties	<b>91,171</b>	218,038	(58.2)
Income tax expense	<b>(21,306)</b>	(27,966)	(23.8)
Total return after tax	<b>257,787</b>	338,848	(23.9)
Attributable to:			
– Unitholders	<b>250,191</b>	337,495	(25.9)
– Perpetual securities holders	<b>7,490</b>	1,228	> 500
– Non-controlling interest	<b>106</b>	125	(15.2)
Distributable income	<b>208,123</b>	217,268	(4.2)

<sup>1</sup> Rental support in 2016 comprised rental support from vendors of the one-third interest in Central Boulevard Development Pte. Ltd. (CBDPL) and the approximate 12.4% interest in Ocean Financial Centre.

<sup>2</sup> Rental support in 2015 comprised rental support from vendors of the 77 King Street Office Tower, one-third interest in CBDPL and the Ocean Financial Centre Interest. Interest income in 2015 included contribution from the David Malcolm Justice Centre Interest.



*Ocean Financial Centre saw stronger performance in FY 2016.*

## Financial Review

**In managing the volatile interest rate environment, the Manager continued its prudent approach, with fixed-rate loans at 75% of total borrowings as at end-2016.**

Melbourne (8 Exhibition Street Interest), a 50% interest in 275 George Street in Brisbane (275 George Street Interest) and a 50% interest in David Malcolm Justice Centre in Perth (David Malcolm Justice Centre Interest).

The contributions from the Ocean Financial Centre Interest, Bugis Junction Towers, 8 Exhibition Street Interest and 275 George Street Interest, as well as the contribution from 77 King Street Office Tower for the period from 1 January 2016 to 29 January 2016, are accounted for as property income. The contributions from Keppel REIT's respective one-third interests in Marina Bay Financial Centre and One Raffles Quay are accounted for as share of results of associates. The contribution from the 8 Chifley Square Interest is accounted for as share of results of joint ventures.

The contribution from the David Malcolm Justice Centre Interest for FY 2016 is also accounted for as share of results of joint ventures. In FY 2015, its contribution was accounted for as interest income up to the conversion of the convertible notes in Mirvac (Old Treasury) Trust, which holds the David Malcolm Justice Centre property. Its contribution was accounted for as share of results of joint ventures subsequent to the conversion on 30 November 2015.

### Distributable Income

Distributable income decreased by \$9.2 million to \$208.1 million for FY 2016 from \$217.3 million for FY 2015.

Lower distributable income was attributed mainly to the absence of income from 77 King Street Office Tower, which was divested on 29 January 2016, and lower income contribution from Bugis Junction Towers. Lower rental support and interest income also contributed to the decrease.

The decrease in distributable income was offset partly by higher net

property income (NPI) from the Ocean Financial Centre Interest, higher share of results of associates due to better performance from the one-third interest in One Raffles Quay, higher share of results of joint ventures due to better performance from the 8 Chifley Square Interest and increased contribution from share of the David Malcolm Justice Centre Interest, as well as lower borrowing costs and trust expenses.

### Property Income

Property income for FY 2016 stood at \$161.3 million, compared with \$170.3 million for FY 2015 due mainly to the absence of income from the 77 King Street Office Tower and lower income contribution from Bugis Junction Towers. This was offset partly by better performance from the Ocean Financial Centre Interest.

### Net Property Income

NPI for FY 2016 stood at \$128.4 million, compared with \$137.5 million for FY 2015 due mainly to the absence of income from the 77 King Street Office Tower and lower income contribution from Bugis Junction Towers. This was offset partly by better performance from the Ocean Financial Centre Interest.

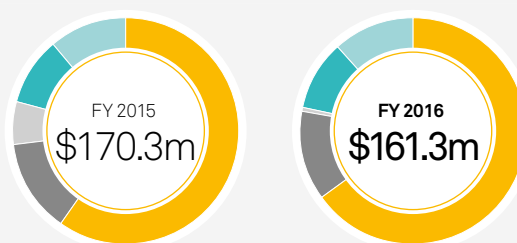
### Income Contribution

Income contribution comprises NPI from the Ocean Financial Centre Interest, Bugis Junction Towers, 8 Exhibition Street Interest, 275 George Street Interest and 77 King Street Office Tower (for the period from 1 January 2016 to 29 January 2016); rental support; distribution income from the 8 Chifley Square Interest and David Malcolm Justice Centre Interest; and dividend and distribution income from the one-third interests in One Raffles Quay Pte Ltd (ORQPL),

### Distributable Income by Quarter (\$'000)

4Q 2016	48,716
3Q 2016	52,452
2Q 2016	52,517
1Q 2016	54,438
4Q 2015	54,031
3Q 2015	54,408
2Q 2015	54,820
1Q 2015	54,009

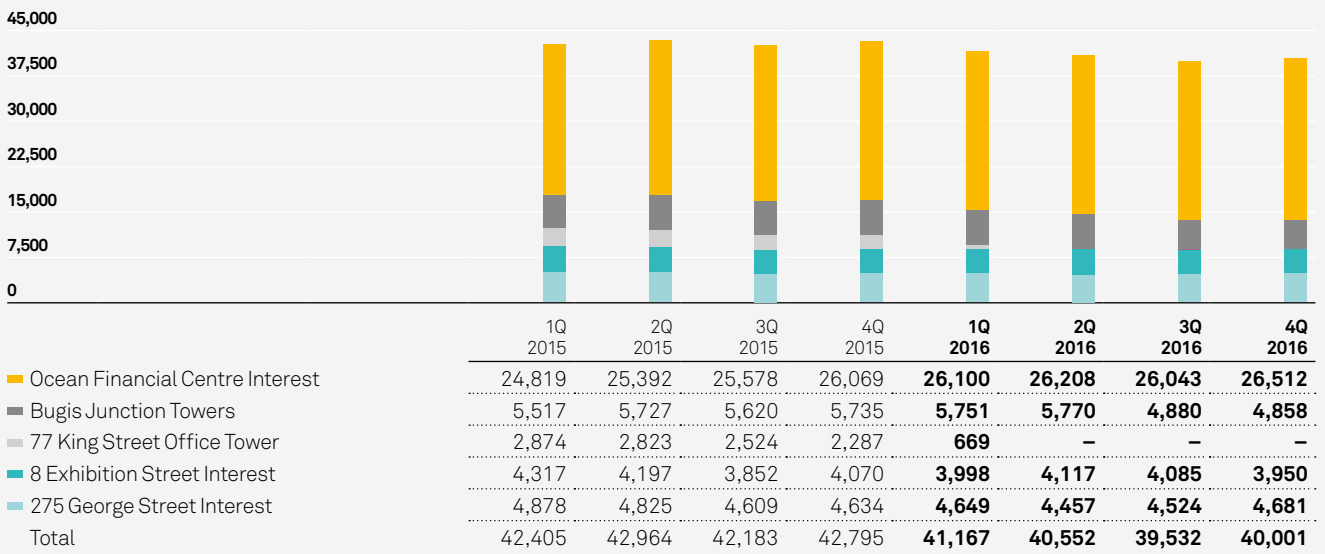
### Property Income Contribution by Asset



	2015	2016
● Ocean Financial Centre Interest	59.8	65.0
● Bugis Junction Towers	13.3	13.2
● 77 King Street Office Tower	6.2	0.4
● 8 Exhibition Street Interest	9.6	10.0
● 275 George Street Interest	11.1	11.4
Total	100.0	100.0



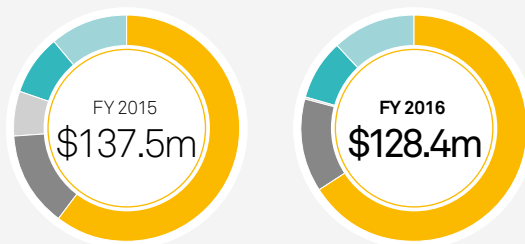
**Property Income Contribution by Asset by Quarter (\$'000)**



Full-year contribution from David Malcolm Justice Centre in Perth, which was handed over to the Government of Western Australia in November 2015, contributed to higher share of results of joint ventures.

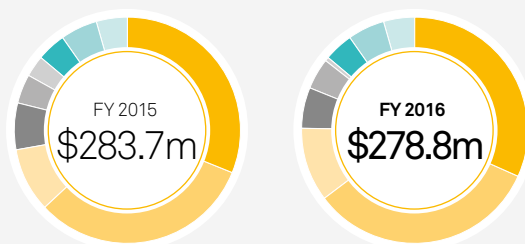
## Financial Review

### Net Property Income Contribution by Asset



	%	%
	2015	2016
● Ocean Financial Centre Interest	60.4	<b>66.1</b>
● Bugis Junction Towers	13.7	<b>13.1</b>
● 77 King Street Office Tower	6.2	<b>0.4</b>
● 8 Exhibition Street Interest	8.6	<b>8.7</b>
● 275 George Street Interest	11.1	<b>11.7</b>
Total	100.0	<b>100.0</b>

### Income Contribution by Asset



	%	%
	2015	2016
● Ocean Financial Centre Interest <sup>1</sup>	31.2	<b>31.9</b>
● One-third interests in BFCDLLP and CBDPL <sup>2</sup>	31.9	<b>33.4</b>
● One-third interest in ORQPL <sup>3</sup>	9.2	<b>10.4</b>
● Bugis Junction Towers	6.7	<b>6.0</b>
● 8 Chifley Square Interest	4.2	<b>4.4</b>
● 77 King Street Office Tower	3.0	<b>0.2</b>
● 8 Exhibition Street Interest	4.2	<b>4.0</b>
● 275 George Street Interest	5.4	<b>5.4</b>
● David Malcolm Justice Centre Interest <sup>4</sup>	4.2	<b>4.3</b>
Total	100.0	<b>100.0</b>

<sup>1</sup> Comprised net property income and rental support.

<sup>2</sup> Comprised interest income and distribution/dividend income. It also included rental support for CBDPL.

<sup>3</sup> Comprised interest income and dividend income.

<sup>4</sup> Comprised distribution income. For FY 2015, it also included coupon interest income.

BFC Development Limited Liability Partnership (BFCDLLP) and Central Boulevard Development Pte. Ltd. (CBDPL).

Keppel REIT's income contribution for FY 2016 was \$278.8 million, compared with \$283.7 million for FY 2015 due mainly to the absence of income from 77 King Street Office Tower and lower income contribution from Bugis Junction Towers. This was offset partly by higher NPI from the Ocean Financial Centre Interest, as well as higher share of results of associates and joint ventures. The increases in share of results of associates and joint ventures were due mainly to better performance from the one-third interest in One Raffles Quay, 8 Chifley Square Interest and higher contribution from share of the David Malcolm Justice Centre Interest.

The total rental support income received, net of tax, in FY 2016 amounted to \$16.9 million, which translates to approximately 0.51 cents of distribution per Unit.

### Assets Under Management

Keppel REIT's AUM was approximately \$8.4 billion as at 31 December 2016, similar to that as at 31 December 2015.

Despite the divestment of 77 King Street Office Tower on 29 January 2016, AUM remained unchanged, attributable mainly to the increase in capital values of existing properties, with the exception of Bugis Junction Towers. The diminution in Bugis Junction Tower's value was in line with its lower committed occupancy.

### Net Asset Value

As at 31 December 2016, Keppel REIT's net asset value (NAV) excluding the distributable income for the fourth quarter of FY 2016 was \$1.43 per Unit.

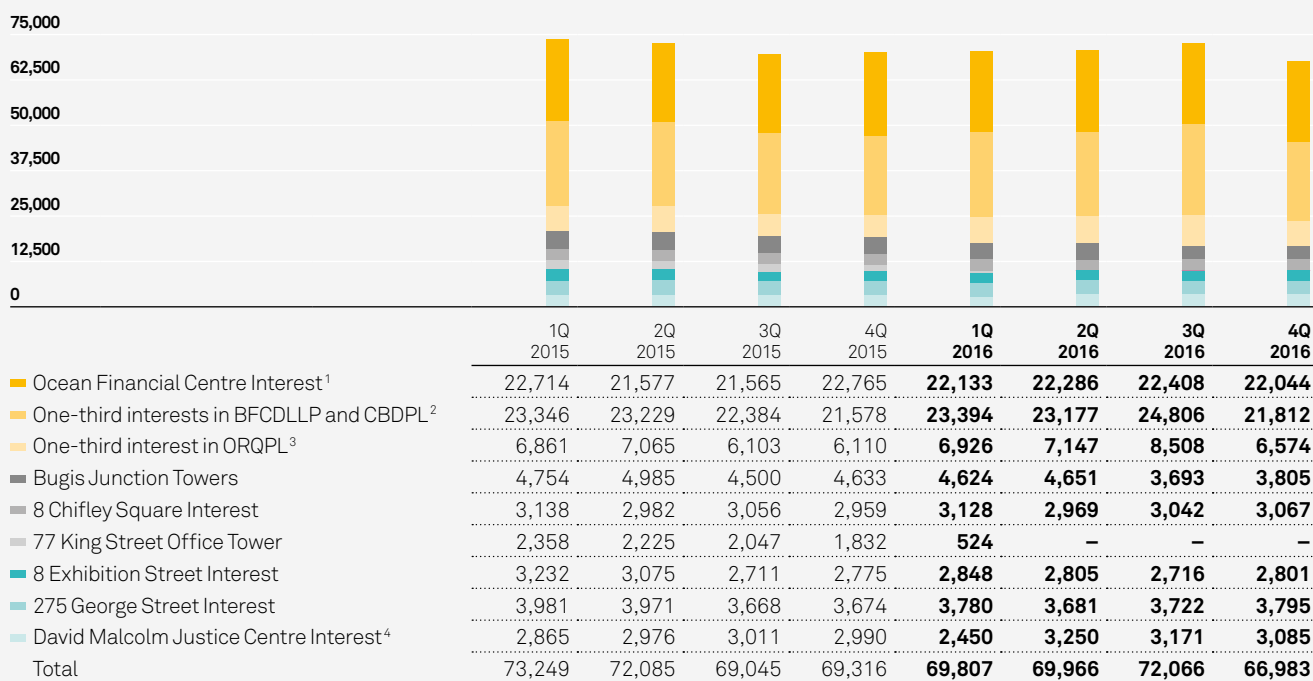
### Capital Management

The Manager adopts a prudent approach towards capital management. It regularly assesses and forecasts Keppel REIT's expense requirements and potential funding needs. It also monitors the REIT's cash flow position and working capital needs closely to ensure that there are adequate reserves in terms of cash and available credit facilities to meet short- to medium-term obligations.

### Funding and Borrowings

In FY 2016, Keppel REIT's subsidiary, Ocean Properties LLP (OPLLP),

### Income Contribution by Asset by Quarter (\$'000)



<sup>1</sup> Comprised net property income and rental support.

<sup>2</sup> Comprised interest income and distribution/dividend income. It also included rental support for CBDPL.

<sup>3</sup> Comprised interest income and dividend income.

<sup>4</sup> Comprised distribution income. For FY 2015, it also included coupon interest income.



Keppel REIT's interest in Marina Bay Financial Centre includes a one-third interest in the office Towers 1, 2 and 3, and the subterranean mall, Marina Bay Link Mall.

## Financial Review

refinanced its \$505.0 million secured loan facilities due in 2017 with unsecured loan facilities, releasing the encumbrance on Ocean Financial Centre. This improved Keppel REIT's percentage of unencumbered assets from approximately 73% as at 31 December 2015 to approximately 84% as at 31 December 2016, providing the REIT greater operational and financial flexibility.

Keppel REIT is able to actively seek refinancing at competitive costs, and continues to maintain low refinancing obligations. Refinancing risk is mitigated with no refinancing requirements till 2018 and beyond. The proactive refinancing efforts have helped to maintain Keppel REIT's weighted average term to maturity of its borrowings at 3.5 years as at 31 December 2016, compared with 3.7 years as at 31 December 2015.

As at 31 December 2016, the total borrowings of Keppel REIT were \$2,488.5 million, diversified across medium term notes (MTN) investors and 14 lending banks. The aggregate leverage of Keppel REIT was 38.5% as at 31 December 2016, an improvement from 39.3% as at 31 December 2015.

For the purpose of computing the aggregate leverage of 38.5% under the Property Funds Appendix of the

### Valuation of Properties

	FY 2016 <sup>1</sup> \$ million	FY 2015 <sup>3</sup> \$ million	Change %
Ocean Financial Centre Interest	<b>2,627.0</b>	2,597.0	1.2
One-third interest in MBFC Towers 1 and 2 and Marina Bay Link Mall	<b>1,693.0</b>	1,682.0	0.7
One-third interest in MBFC Tower 3	<b>1,316.0</b>	1,307.0	0.7
One-third interest in One Raffles Quay	<b>1,273.0</b>	1,263.0	0.8
Bugis Junction Towers	<b>540.0</b>	550.0	(1.8)
8 Chifley Square Interest	<b>235.9</b>	206.6	14.2
77 King Street Office Tower	<b>—<sup>2</sup></b>	128.5 <sup>4</sup>	(100.0)
8 Exhibition Street Interest	<b>236.9</b>	215.5	9.9
275 George Street Interest	<b>213.9</b>	204.0	4.9
David Malcolm Justice Centre Interest	<b>220.0</b>	201.5	9.2
<b>Total</b>	<b>8,355.7</b>	8,355.1	0.01

<sup>1</sup> Valuation as at 31 December 2016.

<sup>2</sup> On 29 January 2016, Keppel REIT divested its entire interest in 77 King Street Office Tower.

<sup>3</sup> Valuation as at 31 December 2015.

<sup>4</sup> Valuation as at 31 July 2015.

### Debt Maturity Profile (%)

2017	—
2018	14
2019	28
2020	22
2021	20
2022	16



*Keppel REIT hedges up to 90% of its income from Australia to limit foreign exchange exposure and provide greater certainty over future distributions.*

Code on Collective Investment Schemes, Keppel REIT had included the deferred payments of approximately \$3.8 million in relation to the development of Ocean Financial Centre's carpark and retail podium, as well as Keppel REIT's proportionate share of its associates' term loans to arrive at total gross borrowings of \$3,329.5 million. The Manager will continue to assess its capital structure to keep it at an optimal level for the REIT.

For FY 2016, Keppel REIT achieved an all-in interest rate of 2.51% and interest coverage ratio of 4.7 times. 75% of Keppel REIT's total borrowings are at fixed rates as at 31 December 2016 to safeguard against interest rate volatility.

In FY 2015, the Manager implemented the Distribution Reinvestment Plan (DRP) where Unitholders can elect to receive their distribution in Units instead of cash or a combination of Units and cash. The DRP enhances Keppel REIT's working capital reserves and improves the liquidity of the Units.

For FY 2016, a total of \$30.9 million of new Units were issued pursuant to the DRP.

### Cash Flows and Liquidity

As at 31 December 2016, Keppel REIT's cash and cash bank balances (including rental support received in advance held in designated accounts, which amounted to \$25.5 million) stood at \$278.7 million, as compared with \$144.6 million (including rental support received in advance held in designated accounts, which amounted to \$45.8 million) as at 31 December 2015.

Net cash flows provided by operating activities for FY 2016 were \$108.2 million, a decrease of \$6.1 million from the operating cash flows of \$114.3 million in the preceding financial year. The lower operating cash flows were attributable mainly to the absence of income from 77 King Street Office Tower, lower income contribution from Bugis Junction Towers, as well as higher income taxes paid. This was offset partly by higher contribution from the Ocean Financial Centre Interest.

Net cash flows provided by investing activities for FY 2016 were \$310.0 million. This comprised mainly \$157.2 million of net proceeds from the divestment of 77 King Street Office Tower, \$86.5 million

### Key Statistics

	As at 31 Dec 2016	As at 31 Dec 2015
Aggregate leverage <sup>1</sup>	<b>38.5%</b>	39.3%
Interest coverage ratio	<b>4.7 times</b>	4.4 times
Percentage of assets unencumbered	<b>84%</b>	73%
All-in interest rate <sup>2</sup>	<b>2.51%</b>	2.54%
Weighted average term to maturity	<b>3.5 years</b>	3.7 years

<sup>1</sup> Aggregate leverage: Ratio of gross borrowings to value of deposited properties. Gross borrowings included Keppel REIT's share of deferred payments in relation to the development of OFC carpark and retail podium and share of borrowings carried at ORQPL and CBDPL.

<sup>2</sup> All-in interest rate included amortisation of upfront debt arrangement expenses.

### Change in Total Return Before Tax (\$'000)

Resulting from:

0.1% increase in interest rate	(128)
0.1% decrease in interest rate	128
5% appreciation of Australian dollar against Singapore dollar	(4,611)
5% depreciation of Australian dollar against Singapore dollar	4,611

of dividend and distribution income received from associates, \$23.2 million of distribution income received from joint ventures, \$27.1 million of interest income and \$20.3 million of rental support received for FY 2016.

Net cash flows used in financing activities were \$269.3 million. This included mainly repayment of loans of \$656.7 million, distribution payments of \$182.6 million to Unitholders, interest expense payments of \$60.7 million, partially offset by drawdown of loans amounting to \$640.5 million.

### Accounting Policies

The financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (RAP) 7 (Revised 2012) "Reporting Framework of Unit Trusts" issued by the Institute of Singapore Chartered Accountants, the applicable requirements of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore and the provisions of the Trust Deed.

### Sensitivity Analysis

Keppel REIT is subject to interest rate fluctuations, which affect its interest-earning financial assets and interest-bearing financial liabilities. It is also subject to foreign exchange fluctuations, which affect the income generated from its Australian dollar (AUD) denominated assets.

In respect of interest rates applicable to interest-earning financial assets and interest-bearing financial liabilities, a 10 basis-point increase or decrease in interest rates will cause a corresponding decrease or increase of \$0.1 million in Keppel REIT's total return before tax. The interest-bearing financial liabilities refer specifically to floating rate borrowings that are not hedged.

Keppel REIT adopts a policy of hedging up to 90% of its AUD income to limit exposure to fluctuations in foreign exchange rates and to provide greater certainty over future distributions.

Keppel REIT's total return before tax will decrease or increase by \$4.6 million if the AUD appreciates or depreciates by 5% against the Singapore dollar.

# Sustainability Report

The Manager is committed to deliver value through Sustaining Growth in our business, Empowering Lives of our people and Nurturing Communities wherever we operate.

## Sustainability Framework



### Sustaining Growth

Our commitment to business excellence is driven by our unwavering focus on strong corporate governance and prudent risk management.

Resource efficiency is our responsibility and makes good business sense.

Innovation and delivering quality products and services sharpen our competitive edge.

➔ For more information, go to: pages 57–87



### Empowering Lives

People are the cornerstone of our business.

As an employer of choice, we are committed to grow and nurture our talent pool through continuous training and development to help our people reach their full potential.

We want to instil a culture of safety so that everyone who comes to work goes home safe.

➔ For more information, go to: pages 88–91



### Nurturing Communities

As a responsible corporate citizen, we believe that as communities thrive, we thrive.

We give back to communities through our multi-faceted approach towards corporate social responsibility.

Cultivating long-term relationships with our tenants help achieve sustainable growth. We also support industry programmes and initiatives to promote growth.

➔ For more information, go to: page 92–93

## Commitment to Sustainability

Keppel REIT Management Limited, the Manager of Keppel REIT, affirms its commitment to sustainability with its eighth Sustainability Report. The 2016 Sustainability Report is its first to be aligned with the Global Reporting Initiatives (GRI) guidelines.

This Report is prepared in accordance with the GRI G4 Sustainability Reporting Guidelines, at the Core option.

The alignment with GRI G4 is part of the Manager's efforts in gearing towards the Singapore Exchange's (SGX) mandated requirement for listed entities to report their sustainability performance by 2018.

Through this Report, the Manager highlights its commitment towards continuous stakeholder engagement, and management of environmental, social and governance issues. These efforts include the maintenance of high quality building standards, greater transparency in governance and robust risk management. The Manager also details its community efforts within this Report.

The Manager has successfully completed a Materiality Assessment with an independent consultant. The Report focuses on aspects that have been identified as material to Keppel REIT's business and its key stakeholders, which are detailed in

the section on Managing Sustainability. It is based on the financial year from 1 January to 31 December 2016 and presents Keppel REIT's sustainability performance, as well as highlights the economic, social and environmental impacts of the Manager's business operations in Singapore and Australia.

However, data on environmental performance stated in this report was annualised based on actual data collected, as not all finalised data was available at the time of publication of this report.

### Strides In Sustainability

In 2016, the Manager made significant strides in its sustainability journey.

In the Global Real Estate Sustainability Benchmark, it was named the Regional Sector Leader for the Office Sector in Asia for the third consecutive year, 2nd globally across all 733 diversified entities and sectors, as well as among 173 companies in the office sector. The REIT also topped the list for real estate companies internationally.

Keppel REIT is also among the constituents of the flagship SGX Sustainability Leaders Index. Launched in May 2016, the index measures the economic, social and governance performances of best-in-class sustainability leaders in Singapore.

Keppel REIT was conferred the Best Annual Report (Gold) Award in the REITs and Business Trusts category at the Singapore Corporate Awards for the Manager's efforts in upholding clarity, transparency and best practices in its communication with Unitholders.

### Environmental Stewardship

The Manager details its proactive approach towards environmental management within this Report, including its robust environmental management systems which are in place to ensure its buildings operate at maximum efficiency and that operators meet their sustainable operational goals.

The Manager rallies its employees and tenants to adopt a green mindset. An example of such initiatives is the Building and Construction Authority of Singapore's Green Office Pop-Up which was on display at Ocean Financial Centre. Visitors were invited to experience an interactive 'green office' providing green tips for office users, building owners and landlords alike. The Green Fit-Out and Green Office Operation Guides are also distributed to encourage tenants to retrofit and operate green workspaces.

### Feedback

Your feedback is valuable to help us improve on future reporting. We welcome your feedback and comments which can be directed to [investor.relations@keppelreit.com](mailto:investor.relations@keppelreit.com).



*Keppel REIT Management adopts sustainable business practices in the management of its properties.*

## Managing Sustainability

Keppel REIT Management adopts sustainable business practices in the management of its properties in Singapore and Australia, where feasible. In doing so, the Manager seeks to drive, create and add value to its business, Unitholders, the environment and the wider community.

### Sustainability Management

The Manager is committed to achieving high standards of corporate governance and transparency to ensure the sustainability of its business, as well as safeguard the interests of its Unitholders.

Driving the Manager's sustainability efforts is the Sustainability Working Committee which monitors and reviews Keppel REIT's sustainability performance and coordinates sustainability efforts across the organisation.

Keppel REIT's sustainability management framework dovetails that of the larger Keppel Group. The Manager adheres to regulations set by the Singapore Exchange (SGX) and the Monetary Authority of Singapore (MAS). At the same time, it carries out its operations in accordance with internationally-recognised standards including the International Organisation for Standardisation (ISO) such as the ISO 14001:2004 standard for environmental management, as well as the OHSAS 18001 standard for occupational health and safety management.

As part of the Keppel Group, the Manager adopts and adheres to Group policies to guide its decision-making with regards to significant environmental, social and governance issues. These policies include the Keppel Group Employee Code of Conduct, Anti-Bribery and Corruption Statement, Corporate Statement on Human Rights, Whistle-Blower Protection Policy, Insider Trading Policy and Competition Law Manual, Keppel REIT's policy on Conflict of Interests, as well as policies on environment, health and safety matters. All new employees are briefed on the above key policies upon joining the Manager.

The Manager ensures that policies are updated and that they are communicated to the Board of Directors, senior management and all employees, and that training is provided, as required.

The Keppel Group also conducts online annual training and declaration of Group policies.

Keppel REIT has in place a sound and robust risk management framework, which enables the Manager to mitigate business risks efficiently and effectively. Keppel REIT's economic highlights are disclosed in the Financial Review section of this Annual Report. The Manager has not received any financial assistance from the Singapore and Australian governments.

The Manager is also committed to create a safe environment for its employees and tenants, and advocates a strong workplace safety culture. The Manager complies with all applicable legislations and requirements of the countries where it operates. In 2016, the Manager is not aware of any violation of laws, regulations and voluntary codes concerning the provision, use, and customer health and safety of its products and services.

The Keppel Supplier Code of Conduct was effected in end-2016. As part of the Keppel Group, the Manager adheres to this Code. The Code aims to integrate Keppel's sustainability principles across its supply chain, and positively influence the environmental, social and governance performances of our suppliers. Suppliers are expected to abide by the Code, which covers areas pertaining to business conduct, labour practices, safety and health, and environmental management.

The Manager's practices that apply throughout the supply chain are as follows:

- **Environmental Management:** To encourage the adoption of green practices at the workplace, tenants receive Green Fit-Out and Green Office Operation Guides that are customised to the specific buildings where they are located.
- **Health & Safety:** The Keppel Group has in place various platforms to facilitate the learning and sharing of best practices, knowledge and experiences among employees, contractors and partners. These platforms include the annual Keppel Group Safety Convention, publications and an e-safety portal which facilitate the sharing of safety-related information.

### Material Issues

Keppel REIT has identified key material issues through a Materiality Assessment in April 2016 by an independent consultant with involvement from the CEO, heads of departments and representatives from all relevant

functions. The Materiality Assessment was carried out in accordance with international standards including the GRI G4 and AA1000 Assurance Standard\*. External stakeholder expectations were considered in the identification of material issues to Keppel REIT. These were based on feedback and information requests received from external stakeholders such as investors, tenants and business partners. A total of 14 key material issues were identified and prioritised according to their relevance and significance to the Manager and its stakeholders.

### Ethical Marketing & Customer Privacy

Keppel REIT places great emphasis on ethical marketing communication and customer privacy. In alignment with the Keppel Group, the Manager abides by the Singapore Code of Advertising Practice by the Advertising Standards Authority of Singapore and Code of Practice for Safeguarding Information which reflects the Management's commitment to conduct its business in accordance with the highest ethical and legal standards.

### Stakeholder Engagement

The Manager recognises that regular engagement with key stakeholders is crucial for the sustainability of the REIT's business.

Keppel REIT's stakeholder engagement framework is developed in accordance with international standards including GRI G4 and the AccountAbility AA1000 Stakeholder Engagement Standard, whereby stakeholders are defined to be individuals, groups of individuals or organisations that affect and/or could be affected by the Manager's activities and associated performance.

### Strategic Memberships

Keppel REIT is among the founding members of the REIT Association of Singapore (REITAS), which promotes growth and development of the Singapore REIT industry.

The Keppel Group, including the Manager, also supports the Securities Investors Association (Singapore) (SIAS) in its initiatives to promote good corporate governance and empower the investment community through investor education.

\* G4-18, G4-19, G4-20, G4-21



The table below shows how the key material issues are relevant throughout the lifecycle of Keppel REIT's properties from acquisition to asset management to divestment.

Key Material Issue*	Value Chain	Boundary*
Economic Performance	Acquisition, Asset Management, Divestment	Internal & External
Product & Service Quality:		
• Compliance	Acquisition, Asset Management, Divestment	Internal & External
• Transparency	Acquisition, Asset Management, Divestment	Internal & External
• Marketing Communication & Ethical Marketing	Asset Management, Divestment	Internal & External
• Customer Privacy	Acquisition, Asset Management, Divestment	Internal & External
Energy Efficiency, Reduction in GHG Emissions & Climate Change	Acquisition, Asset Management	Internal
Material Use	Acquisition, Asset Management	Internal
Water Consumption	Acquisition, Asset Management	Internal
Effluents & Waste Management	Acquisition, Asset Management	Internal
Safety & Health	Acquisition, Asset Management	Internal
Labour Practices & Employment:		
• Employee Engagement	Acquisition, Asset Management, Divestment	Internal
• Training & Education	Acquisition, Asset Management, Divestment	Internal
• Non-Discrimination & Equal Opportunities	Acquisition, Asset Management, Divestment	Internal
Community Development & Engagement	Asset Management, Divestment	External



The Manager seeks to inculcate a sense of environmental responsibility among its stakeholders through various initiatives at its buildings such as eco-roadshows (in picture).

## Managing Sustainability

The Manager is committed to proactive engagement efforts with key stakeholder groups.

### Employees

As an employer of choice, the Manager seeks to develop employees to their full potential while building a motivated workforce to drive the business.

#### Key Topics

Vision and strategic direction; teamwork and collaboration; people development; productivity; safe working environment.

#### Approach

Annual employee engagement survey; orientation and mentorship programmes; employee forums; chill-out sessions.



### Investors

Unitholders play an important role in ensuring business sustainability. The Manager adopts industry best practices to provide Unitholders with the necessary information to make well-informed investment decisions.

#### Key Topics

Business strategy; updates on financial performance and business operations; industry developments and market outlook.

#### Approach

Media releases and SGX announcements; general meetings; half- and full-year results briefings; quarterly post-results luncheons; one-on-one meetings; conference calls; industry conferences and roadshows; site visits.



### Tenants

Keppel REIT seeks to be the landlord of choice, attracting and retaining tenants through providing quality and premium office spaces in a safe environment that meet their business needs.

#### Key Topics

Energy-efficient, quality buildings; well-managed, pleasant, safe and secure work environment; prompt and positive customer experiences.

#### Approach

Provision of efficient and quality property management and customer services; regular meetings; efficient feedback channels such as email communication; phone calls; customer satisfaction surveys; tenant engagement activities.



### Regulatory Authorities

The Manager adheres to the regulations of the relevant authoritative bodies in Singapore, including SGX, MAS and Inland Revenue Authority of Singapore (IRAS).

#### Key Topics

Adherence to rules and regulations; consultation on policies regarding the Singapore REIT sector; communication on industry/sector trends.

#### Approach

Adoption of the Code of Corporate Governance 2012 as the benchmark for policies and practices; compliance with the applicable provisions of the Companies Act, the Securities and Futures Act and all relevant legislation of Singapore, the Listing Manual of SGX, the Code of Collective Investment Schemes issued by MAS, and the tax rulings by IRAS.



### Business Partners

The Manager develops strong, effective relationships with its business partners to give Keppel REIT strategic advantages through sharing of best practices and knowledge.

#### Key Topics

Compliance; commitment towards safety and health; environmental responsibility.

#### Approach

Regular meetings with business partners including external property managers, key sub-contractors and suppliers.



### Local Communities

As a responsible corporate citizen, the Manager is committed to giving back to the community's underprivileged, as well as encourage further growth of the REIT sector.

#### Key Topics

Community engagement; sharing industry insights and knowledge.

#### Approach

Supporting causes; community outreach activities; promoting arts-related activities and performances; participation in industry events and/or talks.



## Corporate Governance

### Good corporate governance is critical to the performance and success of the Manager.

The board and management of Keppel REIT Management Limited, the manager of Keppel REIT (the “Manager”), are fully committed to good corporate governance as they firmly believe that it is essential in protecting the interests of the Unitholders. Good corporate governance is also critical to the performance and success of the Manager.

The Manager adopts the Code of Corporate Governance 2012 (the “2012 Code”) as its benchmark for corporate governance policies and practices. The following describes the Manager’s main corporate governance policies and practices, with specific reference to the 2012 Code.

#### **The Manager of Keppel REIT**

The Manager has general powers of management over the assets of Keppel REIT. The Manager’s main responsibility is to manage the assets and liabilities of Keppel REIT for the benefit of Unitholders. The Manager manages the assets of Keppel REIT with a focus on generating rental income and returns from the investments of Keppel REIT, and ultimately the distributions and total returns to Unitholders.

The primary role of the Manager is to set the strategic direction of Keppel REIT and make recommendations to RBC Investor Services Trust Singapore

Limited, as trustee of Keppel REIT (the “Trustee”), on the acquisitions, divestments and enhancement of Keppel REIT’s portfolio of assets in accordance with its stated investment strategy. The research, analysis and evaluation procedures required to achieve this are carried out by the Manager. The Manager is also responsible for the risk management of Keppel REIT.

The Manager uses its best endeavours to carry on and conduct its business in a proper and efficient manner, and conduct all transactions with, or for Keppel REIT, at arm’s length.

Other functions and responsibilities of the Manager include:

1. developing a business plan for Keppel REIT with a view to maximising the distributable income of Keppel REIT;
2. acquiring, selling, leasing, licensing or otherwise dealing with any real estate in furtherance of the prevailing investment policy and investment strategy that the Manager has for Keppel REIT;
3. supervising and overseeing the management of Keppel REIT’s properties (including lease management, systems control, data management and business plan implementation);
4. undertaking regular individual asset performance analysis and market research analysis;

5. managing the finances of Keppel REIT, including accounts preparation, capital management, co-ordination of the budget process, forecast modelling, performance analysis and reporting, corporate treasury functions and ongoing financial market analysis;
6. ensuring compliance with the applicable provisions of the Companies Act, the Securities and Futures Act and all other relevant legislation of Singapore, the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Code on Collective Investment Schemes (including the Property Funds Appendix) (the “CIS Code”) issued by the Monetary Authority of Singapore (“MAS”) and the tax rulings issued by the Inland Revenue Authority of Singapore on taxation of Keppel REIT and its Unitholders;
7. managing regular communication with Unitholders; and
8. supervising the property managers which perform the day-to-day property management functions (including leasing, accounting, budgeting, marketing, promotion, property management, maintenance and administration) for Keppel REIT’s properties, pursuant to the property management agreements signed for the respective properties.



*Led by the Chairman, the Board is committed to uphold high standards in corporate governance and transparency to safeguard Unitholders’ interests.*

## Corporate Governance

Keppel REIT, constituted as a trust, is externally managed and therefore has no personnel of its own. The Manager has an experienced and well-qualified management team to run the day-to-day operations of Keppel REIT. All directors (the "Directors") and employees of the Manager are remunerated by the Manager, and not by Keppel REIT.

The Manager is appointed in accordance with the terms of the Trust Deed dated 28 November 2005, as amended by the Supplemental Deed dated 2 February 2006, the Second Supplemental Deed dated 17 March 2006, the Third Supplemental Deed dated 30 July 2007, the Fourth Supplemental Deed dated 17 October 2007, the Fifth Supplemental Deed dated 19 January 2009, the Sixth Supplemental Deed dated 16 April 2009, a First Amending and Restating Deed dated 19 April 2010, a Supplemental Deed dated 15 October 2012 to the First Amending and Restating Deed and a Second Amending and Restating Deed dated 23 March 2016 (collectively, the "Trust Deed"). The Trust Deed outlines certain circumstances under which the Manager can be removed by notice in writing given by the Trustee in favour of a corporation appointed by the Trustee, upon the occurrence of certain events, including if the Unitholders by a resolution duly proposed and passed by a simple majority of Unitholders present and voting at a meeting of Unitholders, with no Unitholder (including the Manager) being disenfranchised, vote to remove the Manager.

### The Board's Conduct of Affairs

#### Principle 1:

*Effective Board to lead and control the company*

The Board of Directors of the Manager (the "Board") is responsible for the overall management and the corporate governance of the Manager and Keppel REIT, including establishing goals for management and monitoring the achievement of these goals.

The principal functions of the Board are to:

- decide on matters in relation to Keppel REIT's and the Manager's activities which are significant in nature, including decisions on strategic directions and guidelines, as well as the approval of periodic plans and major investments and divestments;
- oversee the business and affairs of Keppel REIT and the Manager, establish, with management, the strategies and financial objectives to be implemented by management, and monitor the performance of management;
- oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance, and satisfy itself as to the adequacy of such processes; and
- assume responsibility for corporate governance.

All Directors are expected to exercise independent judgement in the best interests of Keppel REIT, and all

Directors have discharged this duty consistently well.

To assist the Board in the discharge of its oversight function, the Audit and Risk Committee ("ARC") and the Nominating and Remuneration Committee ("NRC") have been constituted with clear written terms of reference. The Board committees play an important role in ensuring good corporate governance. The responsibilities of the Board committees are disclosed in the Appendix hereto.

The Board meets four times a year and as warranted by particular circumstances to discuss and review the Manager's key activities, including its business strategies and policies for Keppel REIT, proposed acquisitions and divestments, the annual budget, the performance of the business and the financial performance of Keppel REIT and the Manager. The Board also reviews and approves the release of the quarterly, half- and full-year financial results. In addition, the Board reviews the risks to the assets of Keppel REIT, and acts upon any comments from the external auditor and internal auditor of Keppel REIT.

The Manager's Constitution permits Board meetings to be held by way of conference via telephone or any other electronic means of communication by which all persons participating are able, contemporaneously, to hear and be heard by all other participants.

The number of Board and Board committee meetings held in FY 2016, as well as the attendance of each Board member at these meetings, are disclosed in the following table:

Director	Board Meetings	Audit and Risk Committee Meetings	Nominating and Remuneration Committee Meetings
Dr Chin Wei-Li, Audrey Marie	4	-	5
Ms Ng Hsueh Ling (resigned w.e.f 1 February 2017)	4	-	-
Mr Tan Chin Hwee	3	3	4
Mr Lee Chiang Huat	4	4	-
Mr Daniel Chan Choong Seng	4	4	-
Mr Lor Bak Liang	4	4	-
Mr Ang Wee Gee	4	-	5
Professor Tan Cheng Han	4	-	5
Mr Lim Kei Hin (resigned w.e.f 15 September 2016)	3/3	-	-
Ms Christina Tan (appointed w.e.f 15 September 2016)	1/1	-	-
Mrs Penny Goh (appointed w.e.f 5 October 2016)	1/1	-	-
<b>No. of Meetings held in FY 2016</b>	<b>4</b>	<b>4</b>	<b>5</b>

If a Director is unable to attend a Board or Board committee meeting, he or she still receives all the papers and materials for discussion at that meeting. He or she will review them and will advise the Chairman of the Board or the Board committee Chairman of his or her views and comments on the matters to be discussed so that they can be conveyed to other participants present at the meeting.

The Manager has adopted a set of internal guidelines which sets out the financial authority limits for investment/business acquisition and divestment, operating/capital expenditure, capital management, leasing, disposal and write-off of assets and corporate matters that require the approval of the Board. Appropriate delegations of authority and approval sub-limits are also provided at management level to facilitate operational efficiency.

A formal letter is sent to newly-appointed Directors explaining their duties and obligations as Director. All newly-appointed Directors undergo a comprehensive orientation programme which includes management presentations on the business and strategic plans and objectives of Keppel REIT, as well as site visits. Changes to laws, regulations, policies, accounting standards and industry-related matters are monitored closely. Where the changes have an important and significant bearing on Keppel REIT and its disclosure obligations, the Directors are briefed either during Board meetings, at specially convened sessions or via circulation of Board papers. The Directors are also provided with continuing education in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act and the CIS Code, and industry-related matters, so as to update and refresh them on matters that may affect or enhance their performance as Board or Board committee members. A training programme is also in place for Directors in areas such as accounting, finance and the roles and responsibilities of a director of a listed company.

## Board Composition and Guidance

### Principle 2:

*Strong and independent element on the Board*

The Board consists of ten members, six of whom are non-executive independent Directors.

The NRC determines on an annual basis whether or not a Director is independent, bearing in mind the 2012 Code's definition of an "independent director" and guidance as to relationships the existence of which would deem a Director not to be independent, as well as the enhancements to independence requirements announced by MAS on 2 July 2015 (the "Enhanced Independence Requirements").

Under the 2012 Code, a Director who has no relationship with the Manager, its related companies, its 10% shareholders/Unitholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of Keppel REIT, is considered to be independent. In addition, under the Enhanced Independence Requirements, an independent Director is one who:

- (i) is independent from any management and business relationship with the Manager and Keppel REIT;
- (ii) is independent from any substantial shareholder of the Manager and any substantial unitholder of Keppel REIT; and
- (iii) has not served on the Board for a continuous period of 9 years or longer.

The NRC is of the view that, taking into account the nature and scope of Keppel REIT's operations, the present Board size is appropriate and facilitates effective decision making.

The nature of the Directors' appointments on the Board and details of their membership on the Board committees are set out in the Appendix hereto.

The NRC is satisfied that the Board and its Board committees comprise Directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge, as well as core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, required for the Board and Board committees to be effective.

The composition of the Board is also determined using the following principles:

- (i) the Chairman of the Board should be a non-executive Director of the Manager;
- (ii) the Board comprises Directors with a range of commercial and financial experience including expertise in fund management and the property industry; and
- (iii) at least half of the Board comprises independent Directors.

The composition is reviewed annually to ensure that the Board has the appropriate mix of expertise and experience.

The Board and management fully appreciate that fundamental to good corporate governance is an effective and robust Board whose members engage in open and constructive debate and challenge management on its assumptions and proposals. For this to happen, the Board, in particular, the non-executive Directors, are kept well informed of Keppel REIT's and the Manager's business and affairs, and are knowledgeable about the industry in which the businesses operate. For the current financial year, the non-executive Directors have constructively challenged and helped to develop proposals on strategy and reviewed the performance of management. They have unrestricted access to management, and have sufficient time and resources to discharge their oversight function effectively.

## Chairman and Chief Executive Officer

### Principle 3:

*Clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making*

The positions of Chairman and Chief Executive Officer ("CEO") are held by two separate persons to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Chairman and CEO are not immediate family members.

The Chairman leads the Board in working together with management in an effective manner to address strategy, business operations and

## Corporate Governance

enterprise risk issues, and facilitates the effective contribution of the non-executive Directors and the Board as a whole. With the assistance of the company secretaries, the Chairman also sets and approves the agenda of all Board meetings.

The Chairman monitors the flow of information from management to the Board to ensure that material information is provided timeously to the Board. She also encourages constructive relations between the Board and management, and between the Directors.

The Chairman ensures effective communication with Unitholders and leads discussions and development of relations with them. She also takes a leading role in promoting high standards of corporate governance with the full support of the Directors and management.

The CEO is responsible for working with the Board to determine the strategy for Keppel REIT. The CEO also works with the other members of the Manager's management team to ensure that Keppel REIT operates in accordance with the stated investment strategy of the Manager. He is also responsible for the strategic planning and development of Keppel REIT.

The clear separation of roles of the Chairman and CEO provides a healthy professional relationship between the Board and management with clarity of roles and robust deliberations on the business activities of Keppel REIT.

### Board Membership

#### Principle 4:

*Formal and transparent process for the appointment of new Directors to the Board*

### Nominating and Remuneration Committee

The Manager has established the NRC to, among other things, make recommendations to the Board on all Board appointments. The NRC comprises four Directors, the majority of whom, including the Chairman of the NRC, are independent; namely:

Professor Tan Cheng Han	Chairman
Ms Christina Tan	Member
Mrs Penny Goh	Member
Mr Lor Bak Liang	Member

The responsibilities of the NRC are disclosed in the Appendix hereto.

### Process for appointment of new Directors and succession planning for the Board

The NRC is responsible for reviewing the succession plans for the Board (in particular, the Chairman). In this regard, it has put in place a formal process for the renewal of the Board and the selection of new Directors. The NRC leads the process and makes recommendations to the Board as follows:

- (a) the NRC reviews annually the balance and diversity of skills, experience, gender and knowledge required by the Board and the size of the Board which would facilitate decision-making;
- (b) in light of such review and in consultation with management, the NRC assesses if there is any inadequate representation in respect of those attributes and if so, prepares a description of the role and the essential and desirable competencies for a particular appointment;
- (c) external help (for example, the Singapore Institute of Directors, search consultants, open advertisement) to be used to source for potential candidates if need be. Directors and management may also make suggestions;
- (d) the NRC meets with the shortlisted candidates to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required; and
- (e) the NRC makes recommendations to the Board for approval.

The Board believes that orderly succession and renewal is achieved as a result of careful planning, where the appropriate composition of the Board is continually under review.

### Criteria for appointment of new Directors

All new appointments are subject to the recommendation of the NRC based on the following objective criteria:

- (1) integrity;
- (2) independent mindedness;
- (3) diversity – possess core competencies that meet the current needs of Keppel REIT and the Manager and complement the skills and competencies of the existing Directors;

- (4) ability to commit time and effort to carry out duties and responsibilities effectively – proposed Director should not have more than six listed company board representations and other principal commitments;
- (5) track record of making good decisions;
- (6) experience in high-performing corporations or property funds; and
- (7) financially literate.

### Endorsement by Unitholders of appointment of Directors

Keppel Capital Holdings Pte. Ltd. ("Keppel Capital") has on 1 July 2016 provided an undertaking to the Trustee (the "Undertaking") to provide Unitholders with the right to endorse the appointment of each of the Directors by way of an ordinary resolution at the Annual General Meetings ("AGM") of Unitholders. Pursuant to the Undertaking, Keppel Capital undertakes to the Trustee:

- (i) to procure the Manager to seek Unitholders' re-endorsement for the appointment of each Director no later than every third AGM after the relevant general meeting at which such Director's appointment was last endorsed or re-endorsed, as the case may be;
- (ii) (where a person is appointed as Director, either to fill a vacancy or as an addition to the existing Board, at any time) to procure the Manager to seek Unitholders' endorsement for his or her appointment as a Director at the next AGM immediately following his or her appointment; and
- (iii) to procure any person whose appointment as a Director has not been endorsed or re-endorsed (as the case may be) by the Unitholders at the relevant general meeting where the endorsement or re-endorsement (as the case may be) for his or her appointment was sought, to resign or otherwise be removed from the Board either (1) within 21 days from the date of the relevant general meeting or (2) in the event that the Board determines that a replacement Director has to be appointed, no later than the date when such replacement Director is appointed, and the regulatory approval for such appointment (if any) has been obtained.

The endorsement or re-endorsement from Unitholders of any appointment of

any person as a Director shall be by way of an ordinary resolution passed at the relevant general meeting. The Undertaking shall not restrict the Manager or Keppel Capital from appointing any Director from time to time in accordance with applicable laws and regulations (including any applicable rule of the SGX-ST) and the Manager's Constitution.

The Undertaking shall remain in force for so long as:

- (a) Keppel Capital remains as the holding company (as defined in the Companies Act) of the Manager; and
- (b) Keppel REIT Management Limited remains as the manager of Keppel REIT.

As the appointments of Mr Ang Wee Gee and Professor Tan Cheng Han were last endorsed by Unitholders on 15 April 2014, the Manager is seeking the re-endorsement of the appointments of Mr Ang and Professor Tan at the AGM to be held in 2017. In addition, as Ms Christina Tan, Mrs Penny Goh and Mr Tan Swee Yiow were appointed as Directors on 15 September 2016, 5 October 2016 and 20 March 2017 respectively, the Manager is also seeking the endorsement of their appointments at the AGM to be held in 2017.

The NRC recommends the seeking of endorsement and re-endorsement of Directors to the Board for approval, having regard to the Director's contribution and performance (such as attendance, preparedness, participation and candour), with reference to the results of the assessment of the performance of the individual Director.

### Review of Directors' independence

The NRC is also charged with determining the "independence" status of the Directors annually. Please refer to page 59 on the basis of the NRC's determination as to whether a Director should or should not be deemed independent. In this regard and taking into account the views of the NRC, the Board has determined that:

- (i) each of Mr Lor Bak Liang and Professor Tan Cheng Han is independent from management and business relationships with the Manager and Keppel REIT, and independent from every substantial shareholder of the Manager and substantial Unitholder of Keppel REIT;

- (ii) Mr Lee Chiang Huat shall nonetheless be considered independent notwithstanding that he is a director of Keppel DC REIT Management Pte. Ltd. (the manager of Keppel DC REIT) which is a related corporation of the substantial shareholder of the Manager and the substantial unitholder of Keppel REIT, namely Keppel Corporation Limited ("Keppel Corporation"). Taking into consideration (1) that Mr Lee serves as an independent non-executive director of Keppel DC REIT Management Pte. Ltd. (the manager of Keppel DC REIT), (2) Mr Lee having declared that he is not in any employment relationship with the Keppel Group and is not under any obligation to act in accordance with the directions, instructions or wishes of the Keppel Group, and (3) the instances of constructive challenge and probing of management by Mr Lee at the Board and the Board committee meetings of the Manager, the Board is satisfied that Mr Lee's independent judgement and ability to act in the interests of all the Unitholders of Keppel REIT as a whole will not be impeded;
- (iii) Mr Tan Chin Hwee shall nonetheless be considered independent notwithstanding that he is the CEO-Asia Pacific of Trafigura Pte Ltd ("Trafigura") which is a tenant of Ocean Financial Centre in which Keppel REIT owns an approximate 99.9% interest. Taking into consideration (1) Mr Tan having declared that (a) he had and would continue to recuse himself in relation to any decision making process of the Manager in connection with the negotiation of the lease with Trafigura and any other dealings between Keppel REIT and Trafigura in respect of the lease, and (b) he does not regard the business relationship which Trafigura has with Keppel REIT as something which could interfere with or be reasonably regarded as interfering with his exercise of independent judgement and ability to act in the best interests of Keppel REIT as a whole in the discharge of a director's duties, and (2) the instances of constructive challenge and probing of management by Mr Tan at the Board and the Board committee meetings of the Manager, the Board is satisfied that Mr Tan's independent judgement and ability to act in the

- interests of all the Unitholders of Keppel REIT as a whole will not be impeded;
- (iv) Mr Daniel Chan Choong Seng shall nonetheless be considered independent notwithstanding that he is the Managing Director and shareholder of DCG Capital Pte Ltd ("DCG Capital") which manages a fund which Keppel Corporation, through one of its wholly-owned subsidiaries, has invested in. Taking into consideration (1) Mr Chan having declared that (a) DCG Capital is a licensed fund manager regulated by MAS and its services to Keppel Corporation do not involve Keppel REIT, (b) the fees which DCG Capital receives from Keppel Corporation is less than 10% in relation to DCG Capital's overall revenue, and (c) he does not regard the business relationship which DCG Capital has with Keppel Corporation as something which could interfere with or be reasonably regarded as interfering with his exercise of independent judgement and ability to act in the best interests of Keppel REIT as a whole in the discharge of a director's duties, and (2) the instances of constructive challenge and probing of management by Mr Chan at the Board and the Board committee meetings of the Manager, the Board is satisfied that Mr Chan's independent judgement and ability to act in the interests of all the unitholders of Keppel REIT as a whole will not be impeded;
- (v) Mrs Penny Goh shall nonetheless be considered independent notwithstanding that she is Co-Chairman and Senior Partner of Allen & Gledhill LLP ("A&G") which is one of the Singapore law firms providing legal services to Keppel REIT and the Keppel Group. Taking into consideration (1) Mrs Goh having declared that (a) she does not hold a substantial partnership interest in A&G and the legal fees which A&G receives from Keppel Group are insubstantial in relation to A&G's overall revenue, (b) in relation to A&G's legal work for Keppel REIT, she does not personally represent Keppel REIT in such transactions, and (c) she does not regard the business relationship which A&G has with Keppel REIT and the Keppel Group as something which could interfere with or be reasonably regarded as interfering with her exercise of independent judgement and ability to act in the best interests

## Corporate Governance

of Keppel REIT as a whole in the discharge of a director's duties, and (2) the instances of constructive challenge and probing of management by Mrs Goh at the Board and the Board committee meetings of the Manager, the Board is satisfied that Mrs Goh's independent judgement and ability to act in the interests of all the unitholders of Keppel REIT as a whole will not be impeded;

- (vi) Dr Chin Wei-Li, Audrey Marie is not considered independent as she has served on the Board for more than nine years;
- (vii) Mr Tan Swee Yiow is not considered independent as he is the CEO and Executive Director of the Manager; and
- (viii) Mr Ang Wee Gee and Ms Christina Tan are not considered independent from Keppel Corporation. Mr Ang is the Chief Executive Officer of Keppel Land Limited, a related corporation of Keppel Corporation. Ms Tan is the Chief Executive Officer of Keppel Capital and Managing Director of Alpha Investment Partners Limited, both related corporations of Keppel Corporation.

### Annual review of Directors' time commitments

The NRC also determines annually whether a Director with other listed company board representations and other principal commitments is able to and has been adequately carrying out his or her duties as a Director of the Manager. The NRC took into account the assessment results in the evaluation of the effectiveness

of the individual Director, and the respective Directors' actual conduct on the Board, in making this determination, and is satisfied that all the Directors have been able to and have adequately carried out their duties as Directors notwithstanding their other listed company board representations and other principal commitments.

The NRC has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards and have other principal commitments. As a guide, Directors should not have more than six listed company board representations and other principal commitments.

### Key information regarding Directors

The following key information regarding Directors is set out in the following pages of this Annual Report:

Pages 12 to 17: Academic and professional qualifications, Board committees served on (as a member or Chairman), date of first appointment as a Director, listed company and other principal directorships both present and past held over the preceding five years and other major appointments, whether appointment is executive or non-executive, and whether considered by the NRC to be independent; and

Page 157: Unitholdings in Keppel REIT as at 21 January 2017.

### Board Performance

#### Principle 5:

*Formal assessment of the effectiveness of the Board as a whole and its Board committees and the contribution by each Director to the effectiveness of the Board*

The Board has implemented formal processes for assessing the effectiveness of the Board as a whole and its Board committees, the contribution by each individual Director to the effectiveness of the Board, as well as the effectiveness of the Chairman of the Board.

To ensure that the assessments are done promptly and fairly, the Board has appointed an independent third party (the "Independent Co-ordinator") to assist in collating and analysing the returns of the Board members. Mr Nelson Tan, director of tax at A Tax Advisor Pte Ltd, was appointed for this role. Mr Tan does not have any other connection with Keppel REIT, the Manager or any of its Directors.

The evaluation processes and performance criteria are set out in the Appendix hereto.

The Board assessment exercise provided an opportunity to obtain constructive feedback from each Director on whether the Board's procedures and processes allow him or her to discharge his or her duties effectively and the changes which should be made to enhance the effectiveness of the Board and/or Board committees. The assessment exercise also helped the Directors to focus on their key responsibilities. The individual director assessment exercise allowed for peer review with a view of raising the quality of Board members. It also assisted the Board in evaluating the skills required by the Board, the size and the effectiveness of the Board as a whole.

*Unitholders have the opportunity to engage the Board and management on matters relating to Keppel REIT's strategy and operations at the annual general meetings.*





## Access to Information

### Principle 6:

*Board members to have complete, adequate and timely information*

Management provides the Board with relevant and accurate information in a timely manner relating to matters to be brought before the Board, prior to Board meetings and on an ongoing basis.

As a general rule, Board papers are required to be sent to Directors at least seven days before each Board meeting. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed prior to the meeting. Members of the management team who can provide additional insight into the matters at hand would be present at the relevant time during the Board meeting. The Board has separate and independent access to the Manager's senior management for further clarification, if required.

The information provided to the Board includes financial results, market and business developments. Such reports keep the Board informed, on a balanced and understandable basis, of Keppel REIT's performance, financial position and prospects. The financial results are also compared against the budgets, together with explanations given for significant variances for the reporting period.

The Manager has implemented quarterly financial reporting from the date of listing of Keppel REIT on the SGX-ST.

The Directors have separate and independent access to both company secretaries of the Manager. The company secretaries assist the Chairman in ensuring that Board procedures (including but not limited to assisting the Chairman to ensure the timely and good information flow to the Board and the Board committees, and between senior management and the Directors) are followed and that the Manager's Constitution and relevant rules and regulations are complied with. At least one of the two company secretaries attends all Board meetings and prepares minutes of the Board proceedings. The appointment and removal of each of the company secretaries are subject to the approval of the Board as a whole.

Subject to the approval of the Chairman, the Directors, whether as a group or individually, may seek and obtain independent professional advice in the furtherance of their duties.

## Remuneration Matters

### Principle 7:

*The procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors should be formal and transparent*

### Principle 8:

*The level and structure of director fees are aligned with the long-term interest of the company and appropriate to attract, retain and motivate directors to provide good stewardship of the company*

*The level and structure of key management remuneration are aligned with the long-term interest and risk policies of the company and appropriate to attract, retain and motivate key management to successfully manage the company*

### Principle 9:

*There should be clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration*

The composition of the NRC has been set out under Principle 4 on page 60. The NRC comprises entirely non-executive Directors, a majority of whom are independent Directors.

The NRC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for determining the remuneration packages of individual Directors and key management personnel. The NRC assists the Board to ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate the Directors and key management personnel of the Manager without being excessive, and thereby maximise Unitholder value. The NRC recommends to the Board for endorsement a framework of remuneration (which covers all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind) and the specific

The framework for determining the Directors' fees, which is the same as that for FY 2015, is shown in the table below:

Main Board	Chairman	S\$90,000 per annum
	Director	S\$60,000 per annum
Audit and Risk Committee	Chairman	S\$42,500 per annum
	Member	S\$25,000 per annum
Nominating and Remuneration Committee	Chairman	S\$25,000 per annum
	Member	S\$15,000 per annum

remuneration packages for each Director and the CEO. The NRC also reviews the remuneration of the key management personnel of the Manager and administers the KRML Unit Plans (defined below). In addition, the NRC reviews the Manager's obligations arising in the event of termination of the key management personnel's contract of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The NRC has access to expert advice from external consultants where required. In FY 2016, the NRC sought views on market practice and trends from external remuneration consultants, such as Aon Hewitt. The NRC undertook a review of the independence and objectivity of the external remuneration consultants and has confirmed that the external remuneration consultants had no relationships with the Manager which would affect their independence.

## Annual Remuneration Report

Although the remuneration of the Directors and employees of the Manager is paid by the Manager and not by Keppel REIT, the Manager is disclosing the following information on the remuneration of its Directors and key executives.

### Policy in respect of Directors' remuneration

Director's fees are established annually and the amount is dependent on their level of responsibilities on the Board and the Board committees. Each Director is paid a basic fee. In addition, Directors who perform additional services through the Board committees are paid an additional fee for such services. The Chairmen of the Board and of each Board committee are paid a higher fee compared with members of the Board and of such Board committee in view of the greater responsibility carried by that office.

## Corporate Governance

In FY 2016, the Directors have voluntarily taken a reduction of their fees earned by 5%. This motion is to reflect solidarity with Keppel Group's senior management who has volunteered for a reduction in their monthly salary, as well as to demonstrate the Board's and management's determination to hunker down against a challenging backdrop. The Directors' fees earned, post 5% reduction, are set out on page 65.

### Remuneration policy in respect of key management personnel and other key executives

The Manager advocates a performance-based remuneration system that is flexible and responsive to the market and the individual employee's performance.

In designing the compensation structure, the NRC seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate in achieving a balance between current versus long-term compensation and between cash versus equity incentive compensation. The total remuneration mix comprises three key components - annual fixed pay, annual performance incentive and long-term incentive. The annual fixed pay component comprises the annual basic salary plus any other fixed allowances which the Manager benchmarks against the target market level of the relevant industry. The annual performance incentive is mainly tied to the performances of Keppel REIT and the individual employee. This allows the Manager to better align executive compensation towards Unitholders' value creation. The long-term incentive is in the form of two Unit plans, the Restricted Unit Plan ("RUP") to retain and reward, and the Performance Unit Plan ("PUP") to motivate employees to achieve superior performance. Executives who have greater ability to influence strategic outcomes have a greater proportion of overall reward at risk. Eligible employees of the Manager are granted existing Units in Keppel REIT already owned by the Manager. Therefore, no new Units are or will be issued by Keppel REIT to satisfy the grant of the Units under the RUP and/or the PUP as the Units that are granted under these plans will be taken from the Units which are already owned by the Manager.

The NRC exercises broad discretion and independent judgement in ensuring that the amount and mix of compensation are aligned with the interests of Unitholders and promote the long-term success of Keppel REIT. The mix of fixed and variable reward is considered appropriate for the Manager and for each individual role. The NRC is of the view that the overall level of remuneration is not considered to be at a level which is likely to promote behaviour contrary to the Manager's risk profile.

The compensation structure is directly linked to corporate and individual performances, both in terms of financial and non-financial performances, as well as the creation of wealth for Unitholders. This is achieved in the following ways:

- (1) by placing a significant portion of executive's remuneration at risk ("at risk component") and in some cases, subject to a vesting schedule;
- (2) by incorporating appropriate key performance indicators ("KPIs") for awarding annual cash incentives:
  - a. there are four scorecard areas that the Manager has identified as key to measuring its performance:
    - i. Financial;
    - ii. Process;
    - iii. Customers/Stakeholders; and
    - iv. People;
  - b. the four scorecard areas have been chosen because they support how the Manager achieves its strategic objectives. The framework provides a link for staff in understanding how they contribute to each area of the scorecard, and therefore to the Manager's overall strategic goals;
- (3) by selecting performance conditions such as Distribution Per Unit and Total Unitholder Returns for equity awards that are aligned with Unitholders' interests;
- (4) by requiring those KPIs or conditions to be met in order for the at-risk component of remuneration to be awarded or to vest; and
- (5) forfeiture of the at-risk component of remuneration when those KPIs or conditions are not met at a satisfactory level.

In determining the actual quantum of the variable component of remuneration, the NRC had taken

into account the extent to which the performance conditions, as set out above, have been met. The NRC is of the view that remuneration is aligned to performance during FY 2016.

In order to align the interests of the CEO and key management personnel with those of the Unitholders, the CEO and key management personnel are remunerated partially in the form of Units owned by the Manager and are encouraged to hold such Units while they remain in the employment of the Manager.

The Directors, the CEO and the key management personnel (who are not Directors or the CEO) are remunerated on an earned basis and there are no termination, retirement and post-employment benefits that are granted over and above what have been disclosed.

In order not to hamper the Manager's efforts to retain and nurture its talent pool and given the highly competitive conditions in the REIT industry where poaching of senior management is commonplace, the Manager is disclosing the remuneration of the CEO in bands of S\$250,000, and is not disclosing the aggregate total remuneration paid to the top five key executives (who are not Directors or the CEO). The Manager is of the view that such disclosure or non-disclosure (as the case may be) will not be prejudicial to the interests of Unitholders as sufficient information is provided on the Manager's remuneration framework to enable Unitholders to understand the link between the remuneration paid to the CEO and its key executives, and performance as set out on pages 63 to 66.

### Long term incentive plans - KRML Unit Plans

The RUP and the PUP (the "KRML Unit Plans") are long-term incentive schemes implemented by the Manager since 2010. No employee share option schemes or share schemes have been implemented by Keppel REIT.

The KRML Unit Plans are put in place to increase the Manager's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance and to motivate them to continue to strive for long-term

The level and mix of each of the Directors' remuneration are set out below:

Name of Director	Base/Fixed Salary	Variable or performance-related income/bonuses	Directors' Fees <sup>1</sup> (S\$)	Benefits-in-Kind
Dr Chin Wei-Li, Audrey Marie	–	–	99,750	–
Mr Tan Chin Hwee <sup>2</sup>	–	–	100,541	–
Mr Lee Chiang Huat	–	–	97,375	–
Mr Daniel Chan Choong Seng	–	–	80,750	–
Mr Lor Bak Liang	–	–	80,750	–
Mr Ang Wee Gee	–	–	71,250	–
Professor Tan Cheng Han <sup>3</sup>	–	–	72,834	–
Mr Lim Kei Hin <sup>4</sup>	–	–	40,180	–
Ms Christina Tan <sup>5</sup>	–	–	19,195	–
Mrs Penny Goh <sup>6</sup>	–	–	16,080	–

<sup>1</sup> The Directors' fees earned in FY 2016 had taken into account the 5% reduction taken by the Board on a voluntary basis.

<sup>2</sup> Mr Tan Chin Hwee ceased to be Chairman of the NRC with effect from 1 November 2016. Fees are pro-rated accordingly.

<sup>3</sup> Professor Tan Cheng Han was a member of the NRC until 31 October 2016. Subsequently, Professor Tan was appointed as Chairman of NRC with effect from 1 November 2016.

<sup>4</sup> Mr Lim Kei Hin resigned from the Board with effect from 15 September 2016.

<sup>5</sup> Ms Christina Tan was appointed as a non-executive and non-independent Director with effect from 15 September 2016. Subsequently, Ms Tan was appointed as a member of the NRC with effect from 1 November 2016. Fees are pro-rated accordingly.

<sup>6</sup> Mrs Penny Goh was appointed as a non-executive and independent Director with effect from 5 October 2016. Subsequently, Mrs Goh was appointed as a member of the NRC with effect from 1 November 2016. Fees are pro-rated accordingly.

The level and mix of the remuneration of the CEO and each of the other key executives, in bands of S\$250,000, are set out below:

Remuneration Band and Names of CEO and Key Executives <sup>1</sup>	Base/Fixed Salary	Variable or Performance-related Income/Bonuses <sup>2</sup>	Benefits-in-kind	Contingent award of Units/shares		
				PUP <sup>3</sup>	RUP <sup>3</sup>	PSP-TIP <sup>4</sup>
<b>Above S\$1,250,000 to S\$1,500,000</b>						
Ms Ng Hsueh Ling <sup>6</sup>	38%	33% <sup>7</sup>	n.m. <sup>8</sup>	16% <sup>9</sup>	10% <sup>9</sup>	3% <sup>5,9</sup>
<b>Above S\$250,000 to S\$500,000</b>						
Mr Kelvin Chow Chung Yip	56%	25%	n.m. <sup>8</sup>	11%	8%	–
Mr Toh Wah San	64%	25%	n.m. <sup>8</sup>	–	11%	–
Mr Wong Cho Wai	67%	26%	n.m. <sup>8</sup>	–	7%	–
<b>Below S\$250,000</b>						
Ms Chow Ching Sian <sup>10</sup>	63%	37%	n.m. <sup>8</sup>	–	–	–

<sup>1</sup> The Manager has less than five key executives other than the CEO.

<sup>2</sup> The NRC is satisfied that the quantum of performance-related bonuses earned by the CEO and key executives of the Manager was fair and appropriate taking into account the extent to which their KPIs for FY 2016 were met.

<sup>3</sup> Units awarded under the KRML PUP and KRML RUP are subject to pre-determined performance targets set over a three-year and a one-year performance period respectively. As at 29 April 2016 (being the grant date), the estimated values of each unit granted in respect of the contingent awards under the KRML PUP and KRML RUP were \$0.810 and \$0.943 respectively. For the KRML PUP, the figures were based on the value of the PUP units at 100% of the award and the figures may not be indicative of the actual value at vesting which can range from 0% to 150% of the award.

<sup>4</sup> The PSP-TIP is a transformation incentive plan under the Keppel Corporation Limited ("KCL") Performance Share Plan ("PSP") scheme with a five-year performance period (subject to a further year extension if the KCL Remuneration Committee concludes that such an extended performance period would be a fairer measure of performance) and is subject to pre-determined stretched performance targets set by KCL Board for 2020. The plan seeks to motivate and reward the executives towards a successful transformation of Keppel Group's business. Executives will only benefit from the plan if Keppel Group meets the pre-determined stretched financial and non-financial targets, and if the executives meet or exceed their individual performance targets. As at 29 April 2016 (being the grant date), the estimated value of each KCL share granted in respect of the contingent award under the PSP-TIP was \$0.39. The figure was based on the value of the KCL shares at 100% of the award and the figure may not be indicative of the actual value at vesting, which can range from 0% to 150% of the award.

<sup>5</sup> After taking into consideration that (1) Ms Ng Hsueh Ling remains remunerated through the remuneration policy of the Manager where the performance-related bonuses and long term incentive awards under the KRML PUP and KRML RUP are based on the results achieved by Keppel REIT and Ms Ng's performance is assessed by the NRC of the Manager; (2) the potential advantages to Keppel REIT of a successful transformation of Keppel Group's business entailing broader collaboration within the Keppel Group of companies with the aim of producing benefits such as (i) enhancing talent pipeline, providing broader exposure and capabilities development for employees; (ii) achieving economies of scale through collective bargaining; and (iii) the building of an innovative culture through sharing of ideas and networks; and (3) the immateriality of the KCL PSP-TIP vis-à-vis the other pay components that form the total remuneration of Ms Ng, the NRC is satisfied that any potential conflict of interest in relation to the CEO having been granted an award under the KCL PSP-TIP is mitigated.

<sup>6</sup> Ms Ng Hsueh Ling has resigned as the CEO and Executive Director of the Manager, and her last day of service was on 31 January 2017. Her base/fixed salary includes leave encashment. Her eligibility for FY 2016 performance-related bonus was forfeited in accordance with the Manager's Annual Performance Incentive policy on staff resignations.

<sup>7</sup> Includes an ex-gratia payment as approved by the NRC in January 2017.

<sup>8</sup> "n.m." means not material.

<sup>9</sup> Unit awards granted during the year have lapsed in accordance with the KRML PUP and KRML RUP on staff resignations. Share award granted during the year has lapsed in accordance with the KCL PSP on staff resignations.

<sup>10</sup> Ms Chow Ching Sian was transferred to Keppel Infrastructure Fund Management Pte Ltd with effect from 25 April 2016. The remuneration disclosed is pro-rated accordingly.

## Corporate Governance

Unitholder value. The KRML Unit Plans also aim to strengthen the Manager's competitiveness in attracting and retaining talented key management personnel and employees. The RUP applies to a broader base of employees while the PUP applies to a selected group of key management personnel. Generally, the performance targets set under the RUP and the PUP will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer-term growth.

The NRC has the discretion not to award variable incentives in any year if an executive is directly involved in a material restatement of financial statements or of misconduct resulting in restatement of financial statements or financial losses to Keppel REIT or the Manager. Outstanding incentives under the KRML Unit Plans are also subject to the NRC's discretion before further payment or vesting can occur.

### Remuneration of Employees who are Immediate Family Members of a Director or the Chief Executive Officer

No employee of the Manager was an immediate family member of a Director or the CEO and whose remuneration exceeded S\$50,000 during the financial year ended 31 December 2016. "Immediate family member" refers to the spouse, child, adopted child, step-child, brother, sister and parent.

### Accountability and Audit

#### Principle 10:

*The Board should present a balanced and understandable assessment of the company's performance, position and prospects*

#### Principle 12:

*Establishment of Audit Committee with written terms of reference*

The Board is responsible for providing a balanced and understandable assessment of Keppel REIT's performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators, if required.

The Board has embraced openness and transparency in the conduct of the Manager's affairs, whilst preserving the commercial interests of Keppel REIT. Financial reports and other price sensitive information are disseminated to Unitholders through announcements via SGXNET to the SGX-ST, media releases and Keppel REIT's website.

Management provides all Directors with management accounts which present a balanced and understandable assessment of Keppel REIT's performance, position and prospects on a periodic basis. Such reports include financial results, market and business developments. The financial results are compared against the budgets, together with explanations of significant variances for the reporting period.

### Audit and Risk Committee

The Audit and Risk Committee ("ARC") has been appointed by the Board from among the Directors of the Manager and comprises four non-executive Directors, all of whom (including the Chairman of the ARC) are independent Directors. The Chairman of the ARC is Mr Lee Chiang Huat and the members are Mr Tan Chin Hwee, Mr Daniel Chan Choong Seng and Mr Lor Bak Liang.

All members of the ARC have accounting or related financial management expertise or experience. Thus, the Board is of the view that all members of the ARC are suitably qualified to assist the Board in areas of internal controls, financial and accounting matters, compliance and risk management, including oversight over management in the design, implementation and monitoring of risk management and internal control systems.

The ARC's role includes assisting the Board to ensure the integrity of financial reporting and that sound internal control systems are in place. The responsibilities of the ARC are disclosed in the Appendix hereto.

The ARC has authority to investigate any matter within its terms of reference, full access to and co-operation by management and full discretion to invite any Director or executive officer to attend its meetings and reasonable resources to enable it to discharge its functions properly. Keppel REIT's and the Manager's internal audit functions are performed by Keppel Corporation Limited's ("KCL") Group Internal Audit department ("Group Internal Audit"). Group Internal Audit, together with the external auditor, report their findings and recommendations independently to the ARC.

A total of four ARC meetings were held in 2016. In addition, the ARC met with the external auditor and internal auditor at least once during the year, without the presence of management.

During the year, the ARC performed independent reviews of the financial statements of Keppel REIT before the announcement of Keppel REIT's quarterly, mid- and full-year results. In the process, the ARC reviewed the key areas of management judgement applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a significant impact on the financial statements.

The ARC also reviewed and approved both the internal auditor's and the external auditor's plans to ensure that the scope of audit was sufficient for purposes of reviewing the significant internal controls of Keppel REIT and the Manager. Such significant internal controls comprise financial, operational, compliance and information technology controls. All audit findings and recommendations put up by the internal auditor and the external auditor were forwarded to the ARC. Significant issues were discussed at the ARC meetings.

In addition, the ARC undertook a review of the independence and objectivity of the external auditor through discussions with the external auditor as well as reviewing the non-audit services fees paid to them, and has confirmed that the non-audit services performed by the external auditor would not affect their independence.

For FY 2016, an aggregate amount of S\$273,000, comprising non-audit service fees of S\$7,000 and audit service fees of S\$266,000, was paid/payable to external auditor of Keppel REIT and its subsidiaries.

Taking cognisance that the external auditor should be free from any business or other relationships with Keppel REIT that could materially interfere with its ability to act with integrity and objectivity, the ARC undertook a review of the independence of the external auditor and gave careful consideration to Keppel REIT's relationships with them during 2016. In determining the independence of the external auditor, the ARC reviewed all aspects of

Keppel REIT's relationships with it including the processes, policies and safeguards adopted by Keppel REIT and the external auditor relating to audit independence. The ARC also considered the nature of the provision of the non-audit services in 2016 and the corresponding fees and ensured that the fees for such non-audit services did not impair or threaten the audit independence. Based on the review, the ARC is of the opinion that the external auditor is, and is perceived to be, independent for the purpose of Keppel REIT's statutory financial audit.

Keppel REIT has complied with Rule 712 and Rule 715 read with Rule 716 of the SGX Listing Manual in relation to the appointment of its auditing firms.

The ARC also reviewed the independence and performance of the internal audit function and was satisfied that the internal auditor was independent, adequately resourced to perform its functions, and had appropriate standing within Keppel REIT and the Manager.

The ARC reviewed the "Whistle-Blower Protection Policy" which provides the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, and was satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. To facilitate the management of incidences of alleged fraud or other misconduct, the ARC follows a set of

guidelines to ensure proper conduct of investigations and appropriate closure actions following completion of the investigations, including administrative, disciplinary, civil and/or criminal actions, and remediation of control weaknesses that perpetrated the fraud or misconduct so as to prevent a recurrence.

In addition, the ARC reviews the Whistle-Blower Protection Policy annually to ensure that it remains current. The details of the Whistle-Blower Protection Policy are set out in pages 74 and 75 of this Annual Report.

The ARC members are kept updated whenever there are changes to the financial reporting standards or issues that may have an impact on the financial statements of Keppel REIT.

### **Risk Management and Internal Controls**

#### **Principle 11:**

*Sound system of risk management and internal controls*

The ARC also assists the Board in examining the adequacy and effectiveness of the Manager's and Keppel REIT's risk management system to ensure that a robust risk management system is maintained. The ARC reviews and guides management in the formulation of risk policies and processes to effectively identify, evaluate and manage significant risks, to safeguard Unitholders' interests and Keppel REIT's assets. The ARC reports to the Board on material findings and recommendations in respect of significant risk matters.

### **Risk Assessment and Management of Business Risk**

Recognising and managing risk is essential to the business of Keppel REIT and to protecting Unitholders' interests and value. Keppel REIT operates within overall guidelines and specific parameters set by the Board. Responsibility for managing risk lies with the Manager, working within the overall strategy outlined by the Board. The Manager has appointed experienced and well-qualified management to handle its day-to-day operations.

The Board met four times in FY 2016. Management surfaces key risk issues for discussion and confers with the ARC and the Board regularly.

Keppel REIT's Enterprise Risk Management framework ("ERM Framework") provides the Manager and Keppel REIT with a holistic and systematic approach in risk management. In assessing business risk, the Board takes into consideration the economic environment and the risks relevant to the property industry. The Manager has implemented a systematic risk assessment process to identify business risks and mitigating actions. Details of the Manager's approach to risk management and internal control and the management of key business risks are set out in the Risk Management section in pages 84 and 85 of this Annual Report. The Manager is guided by a set of Risk Tolerance Guiding Principles ("Guiding Principles"), details of which are disclosed in page 84 of this Annual Report.



*The Directors strive to ensure effective communication and engagement with Unitholders.*

## Corporate Governance

The Manager has in place a framework to evaluate risk management (the "Assessment Framework") which was established to facilitate the Board's assessment on the adequacy and effectiveness of the Manager's and Keppel REIT's risk management system. The framework lays out the governing policies, processes and systems pertaining to each of the key risk areas of the Manager and Keppel REIT, and assessments are made on the adequacy and effectiveness of the Manager's and Keppel REIT's risk management system in managing each of these key risk areas. The Guiding Principles and Assessment Framework are reviewed and updated annually.

In addition, the Manager has adopted the Whistle-Blower Protection Policy, Insider Trading Policy and Code of Practice for Safeguarding Information which reflect management's commitment to conduct its business within a framework that fosters the highest ethical and legal standards.

### Independent Review of Internal Controls

The Manager's and Keppel REIT's internal auditor and external auditor conduct an annual review of the adequacy and effectiveness of Keppel REIT's and the Manager's material internal controls, including financial, operational, compliance and

information technology controls. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the ARC. The ARC also reviews the effectiveness of the actions taken by management on the recommendations made by the internal auditor and external auditor in this respect.

The Manager and Keppel REIT have also put in place the Keppel REIT's System of Management Controls Framework (the "Framework") outlining the Manager's and Keppel REIT's internal control and risk management processes and procedures. The Framework comprises three Lines of Defence towards ensuring the adequacy and effectiveness of the Manager's and Keppel REIT's system of internal controls and risk management.

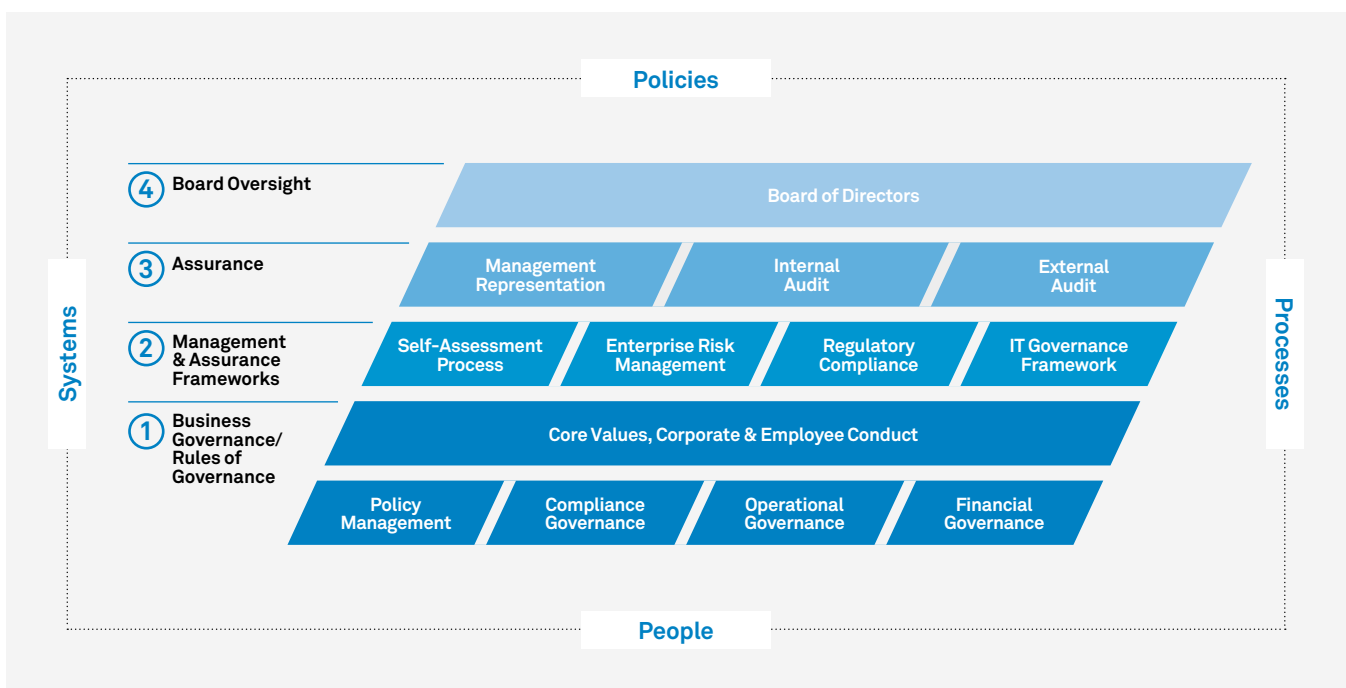
Under the first Line of Defence, management is required to ensure good corporate governance through implementation and management of policies and procedures relevant to the Manager's and Keppel REIT's business scope and environment. Such policies and procedures govern financial, operational, information technology and regulatory compliance matters, and are reviewed and updated periodically. Compliance governance is governed by the respective regulatory compliance management committees

and working teams chaired by business owners. Employees are also guided by the Manager's core values and are expected to comply strictly with the Employee Code of Conduct.

Under the second Line of Defence, the Manager and Keppel REIT are required to conduct self-assessment exercise on an annual basis. This exercise requires the Manager and Keppel REIT to assess the status of their respective internal controls and risk management via self-assessment questionnaires. Action plans would then be drawn up to remedy identified control gaps. Under Keppel REIT's ERM Framework, significant risk areas are also identified and assessed, with systems, policies and processes put in place to manage and mitigate the identified risks. Regulatory Compliance supports and works alongside business management to ensure relevant policies, processes and controls are effectively designed, managed and implemented to ensure compliance risks and controls are effectively managed.

Under the third Line of Defence, the CEO and Chief Financial Officer ("CFO") are required to provide the Manager and Keppel REIT with written assurances as to the adequacy and effectiveness of their system of internal controls and risk

## Keppel REIT's System of Management Controls Framework



management. Such assurances are also sought from the internal auditor and external auditor based on their independent assessments.

The Board, supported by the ARC, oversees the Manager's and Keppel REIT's system of internal controls and risk management. The Board has received assurances from the CEO, Ms Ng Hsueh Ling (resigned with effect from 1 February 2017), and the CFO, Mr Kelvin Chow Chung Yip, that, amongst others:

1. the financial records of the Manager and Keppel REIT have been properly maintained and the financial statements give a true and fair view of the operations and finances of the Manager and Keppel REIT;
2. the internal controls of the Manager and Keppel REIT are adequate and effective to address the financial, operational, compliance and information technology risks which the Manager and Keppel REIT consider relevant and material to its current business scope and environment and that they are not aware of any material weakness in the system of internal controls; and
3. they are satisfied with the adequacy and effectiveness of the Manager's and Keppel REIT's risk management system.

Based on the Framework, the internal controls and risk management policies and procedures established and maintained by the Manager and Keppel REIT, and the regular audits, monitoring and reviews performed by the internal auditor and external auditor, the Board, with the concurrence of the ARC, is of the opinion that, taking into account the nature, scale and complexity of the Manager's and Keppel REIT's operations, as at 31 December 2016, the Manager's and Keppel REIT's internal controls and risk management system are adequate and effective in addressing the financial, operational, compliance and information technology risks which the Manager and Keppel REIT consider relevant and material to its current business scope and environment.

The system of internal controls and risk management established by the Manager and Keppel REIT provides reasonable, but not absolute, assurance that the Manager and Keppel REIT will not be adversely affected by any event that can be

reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

#### **Internal Audit**

##### **Principle 13:**

*Adequately resourced and independent internal audit function*

The internal audit function of the Manager and Keppel REIT is performed by KCL's Group Internal Audit. Group Internal Audit was appointed as the internal auditor in February 2006.

The role of the internal auditor is to assist the ARC to ensure that Keppel REIT and the Manager maintain a sound system of internal controls by reviewing the key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the ARC and conducting regular in-depth audits of high risk areas.

Staffed by suitably qualified executives, Group Internal Audit has unrestricted direct access to the ARC and access to all the Manager's and Keppel REIT's documents, records, properties and personnel. The Head of Group Internal Audit's primary line of reporting is to the Chairman of the ARC.

Group Internal Audit is guided by the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors ("IIA"). These standards consist of attribute and performance standards. External quality assessment reviews are carried out at least once every five years by qualified professionals, with the last assessment conducted in 2011, and the results re-affirmed that the internal audit activity conforms to the International Standards. An external quality review is currently underway, in line with the requirements of the standards. The professional competence of Group Internal Audit is maintained through its continuing professional development programme for its staff which includes sending auditors to attend professional courses conducted by external accredited organisations to

enhance their knowledge on auditing techniques, as well as auditing and accounting pronouncements.

During the year, Group Internal Audit adopted a risk-based auditing approach that focuses on key risks, including financial, operational, compliance and information technology risks. Group Internal Audit's reports are submitted to the ARC for deliberation with copies of these reports extended to the relevant senior management personnel. In addition, Group Internal Audit's summary of findings and recommendations are discussed at the ARC meetings. To ensure timely and adequate closure of audit findings, the status of the implementation of the actions agreed by management is tracked and discussed with the ARC.

#### **Unitholder Rights and Responsibilities, Communication with Unitholders and Conduct of Unitholder Meetings**

##### **Principle 14:**

*Recognition, protection and facilitation of the exercise of Unitholders' rights*

##### **Principle 15:**

*Regular, effective and fair communication with Unitholders*

##### **Principle 16:**

*Greater Unitholder participation at Annual General Meetings*

In addition to the matters mentioned above in relation to "Access to Information/Accountability", the Manager regularly communicates with Unitholders and receives and attends to their queries. In 2016, the Manager engaged a total of 218 local and foreign investors in 64 meetings, conferences, results luncheons and site visits in Singapore, Amsterdam, Florida, The Hague, Hong Kong, Kuala Lumpur, London and Tokyo. More details of the Manager's investor relations activities and efforts are set out in pages 21 to 23 of this Annual Report.

Material information is disclosed in a comprehensive, accurate and timely manner through the SGX-ST via SGXNET and/or media releases. The Manager ensures that unpublished price sensitive information is not selectively disclosed, and on the rare occasion when such information is inadvertently disclosed, it is immediately released to the public through the SGX-ST via SGXNET and/or media releases.

## Corporate Governance

Unitholders are also kept abreast of the latest announcements and updates on Keppel REIT via its corporate website. Unitholders and members of the public can also ask questions via the corporate website or email their queries and feedback to [investor.relations@keppelreit.com](mailto:investor.relations@keppelreit.com).

The Manager has in place an Investor Relations Policy which sets out the principles and practices that the Manager applies when providing Unitholders and prospective investors with information necessary to make well-informed investment decisions and to ensure a level playing field. The Investor Relations Policy is published on Keppel REIT's website at [www.keppelreit.com](http://www.keppelreit.com). The policy is reviewed regularly to ensure relevance and effectiveness.

Unitholders are informed of Unitholders' meetings through annual reports or circulars sent to all Unitholders and/or notices published in the newspapers. Unitholders are invited to such meetings to put forth any questions they may have on the motions to be debated and decided upon. If any Unitholder is unable to attend, he or she is allowed to appoint up to two proxies to vote on his or her behalf at the meeting through proxy forms sent in advance. Where a Unitholder is a relevant intermediary (including but not limited to, a nominee company, a custodian bank or a CPF agent bank), such Unitholder may appoint more than one proxy to vote on its behalf at the meeting through proxy forms sent in advance, provided that each proxy must be appointed to exercise the rights attached to a different Unit or Units held by it

(which number of Units and class shall be specified).

At Unitholders' meetings, each distinct issue is proposed as a separate resolution, unless the resolutions are interdependent and linked so as to form one significant proposal. Each resolution at the AGM will be voted on by way of electronic poll voting for Unitholders/proxies present at the Unitholders' meetings for all the resolutions proposed at the Unitholders' meetings. An announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages will be made after each poll is conducted. The total number of votes cast for or against each resolution and the respective percentages are also announced in a timely manner after the Unitholders' meetings through the SGX-ST via SGXNET.

Where possible, all the Directors will attend Unitholders' meetings. In particular, the Chairman of the Board and the respective Chairman of the ARC and the NRC are required to be present to address questions at general meetings. The external auditor is also present at such meetings to assist the Directors to address Unitholders' queries, where necessary.

The Manager is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

The company secretaries of the Manager prepare minutes of

Unitholders' meetings, which incorporate comments or queries from Unitholders and responses from the Board and management. These minutes are available to Unitholders upon request.

### Securities Transactions Insider Trading Policy

The Manager has a formal Insider Trading Policy on dealings in the securities of Keppel REIT which sets out the implications of insider trading and guidance on such dealings. Such policy has been distributed to the Manager's Directors and officers. The Manager has also adopted the best practices on securities dealings issued by the SGX-ST. In compliance with Rule 1207(19) of the SGX Listing Manual on best practices on dealing in securities, the Manager issues notices to its Directors and officers informing that the Manager and its officers must not deal in listed securities of Keppel REIT one month before the release of the full-year results and two weeks before the release of quarterly results, and if they are in possession of unpublished price-sensitive information. The Manager's officers are also informed that they should not deal in Keppel REIT's securities on short-term considerations.

### Conflicts of Interests

The Manager has instituted the following procedures to deal with potential conflicts of interests issues:

- (1) the Manager will not manage any other real estate investment trust which invests in the same types of properties as Keppel REIT, without prior approval from the relevant authorities;

*Regular, effective and timely communication with Unitholders is critical to the performance and success of the Manager.*





- (2) all resolutions in writing of the Directors of the Manager in relation to matters concerning Keppel REIT and its Interested Parties (meaning any “interested person” as defined in the SGX Listing Manual) and/or, as the case may be, an “interested party” (as defined in the Property Funds Appendix) (“Interested Party”) must be approved by a majority of the Directors, including at least one independent Director and the nominees of the Interested Party on the Board shall abstain from voting;
- (3) at least half of the Board shall comprise independent Directors;
- (4) all matters relating to Interested Party transactions will follow the procedures set out in the section headed “Interested Party Transactions” of this Annual Report; and
- (5) in respect of matters in which Keppel Corporation Limited (“KCL”) and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by KCL and/or its subsidiaries to the Board to represent its interests shall abstain from voting. In such matters, the quorum shall comprise a majority of the independent Directors of the Manager and shall exclude such nominee directors of KCL and/or its subsidiaries.

It is also provided in the Trust Deed that if the Manager is required to decide whether to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of Keppel REIT with an Interested Party of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) who shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of Keppel REIT, has a *prima facie* case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The Directors of the Manager (including its independent Directors) will have a duty to ensure that the Manager so complies.

Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of

Keppel REIT with an Interested Party of the Manager and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and/or which is in the interests of Unitholders. Any decision by the Manager not to take action against an Interested Party of the Manager shall not constitute a waiver of the Trustee’s right to take such action as it deems fit against such Interested Party.

#### **Employee Code of Conduct**

The Manager has in place an Employee Code of Conduct which establishes a culture of high integrity as well as reinforces ethical business practices.

This policy addresses, at the employee level, the standards of acceptable and unacceptable behaviour and personal decorum as well as issues of workplace harassment. On the business front, the policy addresses the standards of ethical business behaviour including anti-corruption, the offering and receiving of gifts, hospitality and promotional expenditures as well as conflicts of interests. The policy also requires all Directors and employees to avoid any conflict between their own interests and the interests of the Manager in dealing with its suppliers, customers and other third parties.

The rules require business to be conducted with integrity, fairly, impartially, in an ethical and proper manner, and in compliance with all applicable laws and regulations. Relevant anti-corruption policies and measures are also set out to protect the business, resources and reputation of the Manager and Keppel REIT. Employees of the Manager must under no circumstances offer, promise, give or authorise the giving, directly or indirectly, or through third parties, of any bribe, kickback, illicit payment, benefit-in-kind or any other advantage to any government official or government entity, private sector customer, supplier, contractor or any other person or entity, as an inducement or reward for an improper performance or non-performance of a function or activity. Similarly, employees of the Manager must not under any circumstances solicit or accept, directly or indirectly, any bribe, kickback, illicit payment, benefit in kind or any other advantage from any government official or government entity, customer, supplier, contractor or any other person or entity that is

intended to induce or reward an improper performance or non-performance of a function or activity.

The Employee Code of Conduct is published on the intranet which is accessible by all employees of the Manager. New employees of the Manager are briefed on the Employee Code of Conduct when they join the Manager. Subsequently, all employees of the Manager are required to acknowledge the Employee Code of Conduct annually to ensure awareness.

#### **Interested Party Transactions**

##### **The Manager’s Internal Control System**

The Manager has established an internal control system to ensure that all Interested Party transactions will be undertaken on normal commercial terms and will not be prejudicial to the interests of Keppel REIT and the Unitholders.

As a general rule, the Manager must demonstrate to the ARC that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Manager. In the case of acquisition or disposal of assets undertaken with an Interested Party, the Manager and Trustee will obtain two independent valuations of each of those real estate assets (in accordance with the Property Funds Appendix), with one of the valuers commissioned independently by the Trustee. Each of those assets must be acquired from the Interested Party at a price not more than the higher of the two assessed values, or sold to the Interested Party at a price not less than the lower of the two assessed values. The ARC may further choose to appoint an independent financial adviser to provide an opinion stating that the transaction is on normal commercial terms and is not prejudicial to the interests of Keppel REIT and the Unitholders.

Further, the following procedures are undertaken:

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same Interested Party during the same financial year) equal to or exceeding S\$100,000 in value but below 3.0% of the value of Keppel REIT’s net tangible assets will be subject to review by the ARC at regular intervals;

## Corporate Governance

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same Interested Party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of Keppel REIT's net tangible assets will be subject to the review and approval of the ARC. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same Interested Party during the same financial year) equal to or exceeding 5.0% of the value of Keppel REIT's net tangible assets will be reviewed and approved, on the basis described in the preceding paragraph, by the ARC which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the rules of the SGX Listing Manual and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders.

Where matters concerning Keppel REIT relate to transactions entered into or to be entered into by the Trustee for and on behalf of Keppel REIT with an Interested Party of the Manager of Keppel REIT, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of Keppel REIT and the Unitholders, and in accordance with all applicable requirements of the Property Funds Appendix and/or the SGX Listing Manual relating to the transaction in question. Further, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving an Interested Party of the Manager or of Keppel REIT. If the Trustee is to sign any contract with an Interested Party of the Manager or of Keppel REIT, the Trustee will review the contract to ensure that it complies with the requirements relating to Interested Party transactions in the Property

Funds Appendix (as may be amended from time to time) and the provisions of the SGX Listing Manual relating to interested person transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX to apply to real estate investment trusts. If the Trustee is to sign any contract with an Interested Party of the Trustee, such review will be carried out by the ARC, not the Trustee.

Keppel REIT will, in compliance with Rule 905 of the SGX Listing Manual, announce any Interested Person transaction if such transaction, by itself or when aggregated with other interested person transactions entered into with the same interested person during the same financial year, is 3.0% or more of Keppel REIT's latest audited net tangible assets.

The aggregate value of all interested person transactions which are subject to Rules 905 and 906 of the SGX Listing Manual in a particular financial year will be disclosed in Keppel REIT's Annual Report for the relevant financial year.

### Role of the Audit and Risk Committee for Interested Party Transactions

The Manager's internal control procedures are intended to ensure that Interested Party transactions are conducted at arm's length and on normal commercial terms and are not prejudicial to Unitholders.

The Manager maintains a register to record all Interested Party transactions (and the basis, including, where practicable, the quotations obtained to support such basis on which they are entered into) which are entered into by Keppel REIT.

On a quarterly basis, management reports to the ARC the Interested Party transactions entered into by Keppel REIT. The Interested Party transactions are also reviewed by Group Internal Audit and all findings, if any, are reported during the ARC meetings. The Trustee also has the right to review such internal audit reports to ascertain that the requirements of the Property Funds Appendix have been complied with.

The ARC reviews all Interested Party transactions to ensure compliance with the internal control procedures

and with the relevant provisions of the SGX Listing Manual and the Property Funds Appendix. The review includes the examination of the nature of the transaction and if necessary, its supporting documents or such other data deemed necessary by the ARC.

If a member of the ARC has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

## Appendix

### Board Committees – Responsibilities

#### A. Audit and Risk Committee

- (1) Review financial statements and formal announcements relating to financial performance, and review significant financial reporting issues and judgements contained in them, for better assurance of the integrity of such statements and announcements.
- (2) Review and report to the Board at least annually the adequacy and effectiveness of the Manager's and Keppel REIT's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties).
- (3) Review the audit plans and reports of the external auditor and internal auditor, and consider the effectiveness of actions or policies taken by management on the recommendations and observations.
- (4) Review the independence and objectivity of the external auditor and internal auditor annually.
- (5) Review the nature and extent of non-audit services performed by the external auditor.
- (6) Meet with the external auditor and internal auditor, without the presence of management, at least annually.
- (7) Make recommendations to the Board on the proposals to Unitholders on the appointment, re-appointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor.
- (8) Review the adequacy and effectiveness of the Manager's and Keppel REIT's internal audit function, at least annually.

- (9) Ensure that the internal audit function is adequately resourced and has appropriate standing with the Manager and Keppel REIT.
- (10) Approve the accounting/auditing firm or corporation to which the internal audit function is outsourced, if applicable.
- (11) Review the policy and arrangements by which employees of the Manager and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.
- (12) Monitor the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Code on Collective Investment Schemes (including the Property Funds Appendix).
- (13) Review interested person transactions, including ensuring compliance with the provisions of the Listing Manual relating to "interested person transaction" (as defined therein) and the provisions of the Property Funds Appendix relating to "interested party transactions" (as defined therein) (both such type of transactions constituting interested party transactions).
- (14) Investigate any matters within the ARC's purview, whenever it deems necessary.
- (15) Obtain recommendations on risk tolerance and strategy from management, and where appropriate, report and recommend to the Board for its determination:
  - (i) the nature and extent of significant risks which the Manager and Keppel REIT may take in achieving its strategic objectives; and
  - (ii) the overall level of risk tolerance and risk policies.
- (16) Review and discuss, as and when appropriate, with management the Manager's and Keppel REIT's risk governance structure and framework including risk policies, risk mitigation and monitoring processes and procedures.
- (17) Receive and review quarterly reports from management on major risk exposures and the steps taken to monitor, control and mitigate such exposures.

- (18) Review the Manager's capability to identify and manage new risk types.
- (19) Review and monitor management's responsiveness to the risks and matters identified and recommendations of the ARC.
- (20) Provide timely input to the Board on critical risk issues, material matters, findings and recommendations.
- (21) Review the ARC's terms of reference annually and recommend any proposed changes to the Board.
- (22) Review and report to the Board annually on the adequacy and effectiveness of the Manager's and Keppel REIT's risk management and internal controls systems, including financial, operational, compliance and information technology controls.
- (23) Perform such other functions as the Board may determine.
- (24) Sub-delegate any of its powers within its terms of reference as listed above from time to time as the ARC may deem fit.

## **B. Nominating and Remuneration Committee**

- (1) Recommend to the Board the appointment/re-appointment of Directors.
- (2) Annual review of balance and diversity of skills, experience, gender and knowledge required by the Board, and the size of the Board which would facilitate decision-making.
- (3) Annual review of independence of each Director, and to ensure that the Board comprises at least half of independent Directors.
- (4) Decide, where a Director has other listed company board representations and/or other principal commitments, whether the Director is able to and has been adequately carrying out his or her duties as Director of the Manager.
- (5) Recommend to the Board the process for the evaluation of the performance of the Board, the Board committees and individual Directors, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each Director.
- (6) Annual assessment of the effectiveness of the Board as a whole and individual Directors.

- (7) Review the succession plans for the Board (in particular, the Chairman) and senior management (in particular, the CEO).
- (8) Review talent development plans.
- (9) Review the training and professional development programs for Board members.
- (10) Review and recommend to the Board a framework of remuneration for Board members and key management personnel, and the specific remuneration packages for each Director as well as for the key management personnel.
- (11) Review the Manager's obligations arising in the event of termination of the executive Directors' and key management personnel's contracts of service, to ensure that such clauses are fair and reasonable and not overly generous.
- (12) Consider whether Directors should be eligible for benefits under long-term incentive schemes (including weighing the use of share schemes against the other types of long-term incentive scheme).
- (13) Administer the Manager's long-term incentive schemes in accordance with the rules of such schemes.
- (14) Report to the Board on material matters and recommendations.
- (15) Review the NRC's terms of reference annually and recommend any proposed changes to the Board.
- (16) Perform such other functions as the Board may determine.
- (17) Sub-delegate any of its powers within its terms of reference as listed above, from time to time as the NRC may deem fit.

## **Board Assessment Evaluation Processes**

**Board**

Each Board member is required to complete a Board Evaluation Questionnaire and send the completed Questionnaire directly to the Independent Co-ordinator within five working days. An "Explanatory Note" is attached to the Questionnaire to clarify the background, rationale and objectives of the various performance criteria used in the Board Evaluation Questionnaire with the aim of achieving consistency in the understanding and interpretation of the questions. Based on the returns from each of the

## Corporate Governance

Directors, the Independent Co-ordinator prepares a consolidated report and briefs the NRC Chairman and Chairman on the report. Thereafter, the Independent Co-ordinator will present the report to the Board for discussion on the changes which should be made to help the Board discharge its duties more effectively.

### Individual Directors

In the assessment of the performance of the non-executive Directors, each Director is required to complete the non-executive Directors' assessment form and send the completed form directly to the Independent Co-ordinator within five working days. Each non-executive Director is also required to perform a self-assessment in addition to a peer assessment. Based on the returns, the Independent Co-ordinator prepares a consolidated report and briefs the NRC Chairman and Chairman. Thereafter, the Independent Co-ordinator will present the report for discussion at a board meeting. Following the meeting and if necessary, the NRC Chairman will meet with non-executive Directors individually to provide feedback on their respective performance with a view to improving their board performance and shareholder value.

### Chairman

The Chairman Evaluation Form is completed by each non-executive Director (other than the Chairman) and sent directly to the Independent Co-ordinator within five working days. Based on the returns from each of the non-executive Directors, the Independent Co-ordinator prepares a consolidated report and briefs the Chairman on the report. Thereafter, the Independent Co-ordinator will present the report for discussion at a board meeting.

### Performance Criteria

The performance criteria for the board evaluation are in respect of board size and composition, board independence, board processes, board information and accountability, management in diversity, board performance in relation to discharging its principal functions and board committee performance in relation to discharging its responsibilities set out in its terms of reference. Based on the responses

received, the Board continues to perform and fulfill its duties, responsibilities and performance objectives in accordance with the established Board processes of the Company.

The individual Director's performance criteria are categorised into five segments; namely, (1) interactive skills (under which factors as to whether the Director works well with other Directors, and participates actively are taken into account); (2) knowledge (under which factors as to the Director's industry and business knowledge, functional expertise, whether he/she provides valuable inputs, his/her ability to analyse, communicate and contribute to the productivity of meetings, and his/her understanding of finance and accounts are taken into consideration); (3) Director's duties (under which factors as to the Director's board committee work contribution, whether the Director takes his/her role of Director seriously and works to further improve his/her own performance, whether he/she listens and discusses objectively and exercises independent judgement, and meeting preparation are taken into consideration); (4) availability (under which the Director's attendance at board and board committee meetings, whether he/she is available when needed, and his/her informal contribution via e-mail, telephone, written notes etc are considered); and (5) overall contribution, bearing in mind that each Director was appointed for his/her strength in certain areas which, taken together with the skill sets of the other Directors, provides the Board with the required mix of skills and competencies.

The assessment of the Chairman of the Board is based on his/her ability to lead, whether he/she established proper procedures to ensure the effective functioning of the Board, whether he/she ensured that the time devoted to board meetings was appropriate (in terms of number of meetings held a year and duration of each board meeting) for effective discussion and decision making by the Board, whether he/she ensured that information provided to the Board was adequate (in terms of adequacy and timeliness) for the Board to make informed and considered decisions, whether he/she guides discussions

effectively so that there is timely resolution of issues, whether he/she ensured that meetings are conducted in a manner that facilitates open communication and meaningful participation, and whether he/she ensured that Board committees are formed where appropriate, with clear terms of reference, to assist the Board in the discharge of its duties and responsibilities.

### Keppel REIT Management Whistle-Blower Protection Policy

The Keppel Whistle-Blower Protection Policy (the "Policy") was established to encourage reporting in good faith of suspected Reportable Conduct (as defined below) by establishing clearly defined processes through which such reports may be made with confidence that employees of the Manager and other persons making such reports will be treated fairly and, to the extent possible, protected from reprisal.

Reportable Conduct refers to any act or omission by an employee of the Manager or contract worker appointed by the Manager, which occurred in the course of his or her work (whether or not the act is within the scope of his or her employment) which in the view of a Whistle-Blower acting in good faith:

- a. is dishonest, including but not limited to theft or misuse of the resources owned by or under the management of the Manager;
- b. is fraudulent;
- c. is corrupt;
- d. is illegal;
- e. constitutes serious improper conduct;
- f. constitutes an unsafe work practice; or
- g. constitutes conduct which may cause financial or non-financial loss to the Manager or damage to the Manager's reputation.

A person who files a report or provides evidence which he or she knows to be false, or without a reasonable belief in the truth and accuracy of such information, will not be protected by the Policy and may be subject to administrative and/or disciplinary action.

Similarly, a person may be subject to administrative and/or disciplinary action if he or she subjects (i) a person who has made

or intends to make a report in accordance with the Policy, or (ii) a person who was called or who may be called as a witness, to any form of reprisal which would not have occurred if he or she did not intend to, or had not made the report or be a witness.

The General Manager (Group Internal Audit) is the Receiving Officer for the purposes of the Policy, who is responsible for the administration, implementation and overseeing ongoing compliance with the Policy, and reports directly to the ARC Chairman on all matters arising under the Policy.

### Reporting Mechanism

The Policy emphasises that the role of the Whistle-Blower is as a reporting party, and that Whistle-Blowers are not to investigate, or determine the appropriate corrective or remedial actions that may be warranted.

Employees of the Manager are encouraged to report suspected Reportable Conduct to their respective supervisors who are responsible for promptly informing the Receiving Officer, who in turn is required to promptly report to the ARC Chairman, of any such report. The supervisor must not start any investigation in any event. If any of the persons in the reporting line prefer not to disclose the matter to the supervisor and/or Receiving Officer (as the case may be), he or she may make the report directly to the ARC Chairman.

Other Whistle-Blowers (other than employees) may report a suspected Reportable Conduct to either the Receiving Officer or the ARC Chairman.

All reports and related communications will be documented by the person first receiving the report. The information disclosed should be as precise as possible so as to allow for proper assessment of the nature, extent and urgency of preliminary investigative procedures to be undertaken. Whistle-Blowers must provide their names, phone numbers and addresses so that the Receiving Officer or ARC Chairman may, if need be, contact them for more information.

### Investigation

The ARC Chairman will review the information disclosed, interview the Whistle-Blower(s) when required and, either exercising his own discretion or in consultation with the other members of the ARC, determine whether the circumstances warrant an investigation and if so, the appropriate investigative process to be employed and corrective actions (if any) to take. The ARC Chairman will use his best endeavours to ensure that there is no conflict of interests on the part of any person involved in the investigations.

All employees of the Manager have a duty to cooperate with investigations initiated under the Policy. An employee may be placed on an administrative leave or an investigatory leave when it is determined by the ARC Chairman that it would be in the best interests of the employee, the Manager or both. Such leave is not to be interpreted as an accusation or a conclusion of guilt or innocence of any employee, including the employee on leave. All participants in the investigation must also refrain from discussing or disclosing the

investigation or their testimony with anyone not connected to the investigation. In no circumstance should such persons discuss matters relating to the investigation with the person(s) who is/are subject(s) of the investigation ("Investigation Subject(s)").

Identities of Whistle-Blowers, participants of the investigations and the Investigation Subject(s) will be kept confidential to the extent possible.

### No Reprisal

No person will be subject to any reprisal for having made a report in accordance with the Policy or having participated in the investigation. A reprisal means personal disadvantage by:

- dismissal;
- demotion;
- suspension;
- termination of employment/contract;
- any form of harassment or threatened harassment;
- discrimination; and / or
- current or future bias.

Any reprisal suffered may be reported to the Receiving Officer (who shall refer the matter to the ARC Chairman) or directly to the ARC Chairman. The ARC Chairman shall review the matter and determine the appropriate actions to be taken. Any protection does not extend to situations where the Whistle-Blower or witness has committed or abetted the Reportable Conduct that is the subject of allegation. However, the ARC Chairman will take into account the fact that he or she has cooperated as a Whistle-Blower or a witness in determining the suitable disciplinary measure to be taken against him or her.

## Nature of Current Directors' Appointments and Membership on Board Committees

Director	Board Membership	Audit and Risk Committee Membership	Nominating and Remuneration Committee Membership
Dr Chin Wei-Li, Audrey Marie	Chairman and Non-Executive Non-Independent Director	–	–
Mr Tan Swee Yiow	Chief Executive Officer and Executive Director	–	–
Mr Tan Chin Hwee	Non-Executive Independent Director	Member	–
Mr Lee Chiang Huat	Non-Executive Independent Director	Chairman	–
Mr Daniel Chan Choong Seng	Non-Executive Independent Director	Member	–
Mr Lor Bak Liang	Non-Executive Independent Director	Member	Member
Mr Ang Wee Gee	Non-Executive Non-Independent Director	–	–
Professor Tan Cheng Han	Non-Executive Independent Director	–	Chairman
Ms Christina Tan	Non-Executive Non-Independent Director	–	Member
Mrs Penny Goh	Non-Executive Independent Director	–	Member

## Corporate Governance

### Code of Corporate Governance 2012

Guidelines for Disclosure

Guideline	Questions	How has the Company complied?
<b>General</b>		
	<p>(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.</p> <p>(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</p>	<p>Yes, save in respect of the guidelines on disclosure of remuneration where, in order not to hamper the Manager's efforts to retain and nurture its talent pool and given the highly competitive conditions in the REIT industry where poaching of senior management is commonplace, the Manager is disclosing the remuneration of the CEO in bands of S\$250,000, and is not disclosing the aggregate total remuneration paid to the top five key executives (who are not Directors or the CEO).</p> <p>The information under the Annual Remuneration Report in pages 63 to 66 of the Corporate Governance Report enables investors to understand the link between remuneration paid to Directors and key executives, and performance.</p>
<b>Board Responsibility</b>		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	The Manager has adopted a set of internal guidelines which sets out the financial authority limits for investment/business acquisition and divestment, operating/capital expenditure, capital management, leasing, disposal and write-off of assets and corporate matters that require the approval of the Board.
<b>Members of the Board</b>		
Guideline 2.6	<p>(a) What is the Board's policy with regard to diversity in identifying director nominees?</p> <p>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</p> <p>(c) What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?</p>	<p>The Nominating and Remuneration Committee (NRC) reviews annually the balance and diversity of skills, experience, gender and knowledge required by the Board and the size of the Board which would facilitate decision making. In light of such review and in consultation with management, the NRC assesses if there is any inadequate representation in respect of any of those attributes and if so, prepares a description of the role and the essential and desirable competencies for a particular appointment.</p> <p>The NRC is satisfied that the Board and Board committees comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge, as well as core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning and customer-based experience or knowledge, required for the Board and the Board committees to be effective.</p> <p>There is a process of refreshing the Board progressively.</p> <p>See Guideline 4.6 below on the process for nomination of new directors and Board succession planning.</p>
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	<p><b>For new directors</b></p> <p>(a) The NRC reviews the balance and diversity of skills, experience, gender and knowledge required by the Board and the size of the Board which would facilitate decision-making.</p> <p>(b) In light of such review and in consultation with management, the NRC assesses if there is any inadequate representation in respect of those attributes and if so, prepares a description of the role and the essential and desirable competencies for a particular appointment.</p> <p>(c) The NRC meets with the short-listed candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required.</p> <p>(d) The NRC makes recommendations to the Board for approval.</p> <p><b>For incumbent directors</b></p> <p>The appointment of each of the Directors is subject to endorsement and re-endorsement by Unitholders by way of an ordinary resolution at the Annual General Meetings of Unitholders. The details of the endorsement process are set out on pages 60 to 61 of the Corporate Governance Report.</p> <p>The NRC recommends the endorsement and re-endorsement of Directors to the Board for approval, having regard to the Director's contribution and performance (such as attendance, preparedness, participation and candour), with reference to the results of the assessment of the performance of the individual Director.</p>

## Code of Corporate Governance 2012

### Guidelines for Disclosure

Guideline	Questions	How has the Company complied?
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why.	Yes, all new directors undergo a comprehensive orientation programme.
	(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	All Directors are provided with continuing education in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, changes in the Companies Act and the CIS Code, and industry-related matters.  A training programme is also in place for Directors in areas such as accounting, finance and the roles and responsibilities of a director of a listed company.
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	Directors should not have more than six listed company board representations and/or other principal commitments. This serves as a guide and the NRC takes into account other factors in deciding on the capacity of director.
	(b) If a maximum number has not been determined, what are the reasons?	N.A.
	(c) What are the specific considerations in deciding on the capacity of directors?	The NRC takes into account the results of the annual assessment of the effectiveness of the individual Director, and the respective Directors' actual conduct on the Board, in determining whether a Director with other listed company board representations and/or other principal commitments is able to and has been adequately carrying out his/her duties as a Director of the Manager.

### Board Evaluation

Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	An independent third party (the "Independent Co-ordinator") was appointed to assist in collating and analysing the returns of the Board members for the annual assessment. Mr Nelson Tan, director of tax at A Tax Advisor Pte Ltd, was appointed for this role. Based on the returns from each of the Directors, the Independent Co-ordinator prepared a consolidated report and briefed the Board Chairman on the report. Thereafter, the report is to be presented to the Board for discussion on the changes which should be made to help the Board discharge its duties more effectively.  The detailed process for the conduct of the assessment is set out on pages 73 to 74 of the Corporate Governance Report.
	(b) Has the Board met its performance objectives?	Yes.

### Independence of Directors

Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes.
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.	Mr Lee Chiang Huat is deemed independent by the Board notwithstanding that he is a director of Keppel DC REIT Management Pte Ltd (the manager of Keppel DC REIT) which is a related corporation of the substantial shareholder of the Manager and the substantial unitholder of Keppel REIT, namely Keppel Corporation Limited.
		Mr Tan Chin Hwee is deemed independent by the Board notwithstanding that he is the CEO-Asia Pacific of Trafigura Pte Ltd ("Trafigura") which is a tenant of Ocean Financial Centre in which Keppel REIT owns an approximate 99.9% interest.
		Mr Daniel Chan Choong Seng is deemed independent by the Board notwithstanding that he is the Managing Director and shareholder of DCG Capital Pte Ltd ("DCG Capital") which manages a fund which Keppel Corporation, through one of its wholly-owned subsidiaries, has invested in.
		Mrs Penny Goh is deemed independent by the Board notwithstanding that she is Co-Chairman and Senior Partner of Allen & Gledhill LLP ("A&G") which is one of the Singapore law firms providing legal services to Keppel REIT and the Keppel Group.

## Corporate Governance

### Code of Corporate Governance 2012

#### Guidelines for Disclosure

Guideline	Questions	How has the Company complied?
Guideline 2.3 (cont'd)	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	<p>Taking into consideration (1) that Mr Lee Chiang Huat serves as an independent non-executive director of Keppel DC REIT Management Pte Ltd (the manager of Keppel DC REIT), (2) Mr Lee having declared that he is not in any employment relationship with the Keppel Group and is not under any obligation to act in accordance with the directions, instructions or wishes of the Keppel Group, and (3) the instances of constructive challenge and probing of management by Mr Lee at the Board and the Board committee meetings of the Manager, the Board is satisfied that Mr Lee's independent judgement and ability to act in the interests of all the unitholders of Keppel REIT as a whole will not be impeded.</p> <p>Taking into consideration (1) Mr Tan Chin Hwee having declared that (a) he had and would continue to recuse himself in relation to any decision making process of the Manager in connection with the negotiation of the lease with Trafigura and any other dealings between Keppel REIT and Trafigura in respect of the lease, and (b) he does not regard the business relationship which Trafigura has with Keppel REIT as something which could interfere with or be reasonably regarded as interfering with his exercise of independent judgement and ability to act in the best interests of Keppel REIT as a whole in the discharge of a director's duties, and (2) the instances of constructive challenge and probing of management by Mr Tan at the Board and the Board committee meetings of the Manager, the Board is satisfied that Mr Tan's independent judgement and ability to act in the interests of all the unitholders of Keppel REIT as a whole will not be impeded.</p> <p>Taking into consideration (1) Mr Daniel Chan Choong Seng having declared that (a) DCG Capital is a licensed fund manager regulated by MAS and its services to Keppel Corporation do not involve Keppel REIT, (b) the fees which DCG Capital receives from Keppel Corporation is less than 10% in relation to DCG Capital's overall revenue, and (c) he does not regard the business relationship which DCG Capital has with Keppel Corporation as something which could interfere with or be reasonably regarded as interfering with his exercise of independent judgement and ability to act in the best interests of Keppel REIT as a whole in the discharge of a director's duties, and (2) the instances of constructive challenge and probing of management by Mr Chan at the Board and the Board committee meetings of the Manager, the Board is satisfied that Mr Chan's independent judgement and ability to act in the interests of all the unitholders of Keppel REIT as a whole will not be impeded.</p> <p>Taking into consideration (1) Mrs Penny Goh having declared that (a) she does not hold a substantial partnership interest in A&amp;G and the legal fees which A&amp;G receives from Keppel Group are insubstantial in relation to A&amp;G's overall revenue, (b) in relation to A&amp;G's legal work for Keppel REIT, she does not personally represent Keppel REIT in such transactions, and (c) she does not regard the business relationship which A&amp;G has with Keppel REIT and the Keppel Group as something which could interfere with or be reasonably regarded as interfering with her exercise of independent judgement and ability to act in the best interests of Keppel REIT as a whole in the discharge of a director's duties, and (2) the instances of constructive challenge and probing of management by Mrs Goh at the Board and the Board committee meetings of the Manager, the Board is satisfied that Mrs Goh's independent judgement and ability to act in the interests of all the unitholders of Keppel REIT as a whole will not be impeded.</p>
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	Yes. Dr Chin Wei-Li, Audrey Marie is not considered independent under the Enhanced Independence Requirements as she has served on the Board for more than 9 years.



## Code of Corporate Governance 2012

### Guidelines for Disclosure

Guideline	Questions	How has the Company complied?
<b>Disclosure on Remuneration</b>		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	<p>Yes. Although the remuneration of the Directors and employees of the Manager is paid by the Manager and not by Keppel REIT, the Manager has disclosed the level and mix of the remuneration of its Directors, CEO and key executives on page 65 of the Corporate Governance Report.</p> <p>In order not to hamper the Manager's efforts to retain and nurture its talent pool and given the highly competitive conditions in the REIT industry where poaching of senior management is commonplace, the Manager is disclosing the remuneration of the CEO in bands of S\$250,000.</p>
Guideline 9.3	<p>(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</p> <p>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).</p>	<p>Yes. The level and mix of the remuneration of the CEO and each of the key executives, in bands of S\$250,000, are set out on page 65 of the Annual Report.</p> <p>The Manager has less than five key executives other than the CEO. In order not to hamper the Manager's efforts to retain and nurture its talent pool and given the highly competitive conditions in the REIT industry where poaching of senior management is commonplace, the Manager is not disclosing the aggregate total remuneration paid to the top five key executives (who are not Directors or the CEO). The Manager is of the view that such disclosure or non-disclosure (as the case may be) will not be prejudicial to the interests of Unitholders as sufficient information is provided on the Manager's remuneration framework to enable Unitholders to understand the link between the remuneration paid to the CEO and its key executives, and performance as set out on pages 63 to 66.</p>
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	No. There are no such employees.
Guideline 9.6	<p>(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.</p> <p>(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</p> <p>(c) Were all of these performance conditions met? If not, what were the reasons?</p>	<p>The compensation structure is directly linked to Keppel REIT and individual performance, both in terms of financial and non-financial performances, as well as the creation of wealth for Unitholders. This is achieved in the following ways:</p> <p>(1) by placing a significant portion of executive's remuneration at risk ("at-risk component") and in some cases, subject to a vesting schedule;</p> <p>(2) by incorporating appropriate key performance indicators ("KPIs") for awarding of annual cash incentives:</p> <p>a. there are four scorecard areas that the Manager has identified as key to measuring its performance:</p> <ol style="list-style-type: none"><li>Financial;</li><li>Process;</li><li>Customers/ Stakeholders; and</li><li>People;</li></ol> <p>b. the four scorecard areas have been chosen because they support how the Manager achieves its strategic objectives. The framework provides a link for staff in understanding how they contribute to each area of the scorecard, and therefore to the Manager's overall strategic goals;</p>

## Corporate Governance

### Code of Corporate Governance 2012

#### Guidelines for Disclosure

Guideline	Questions	How has the Company complied?
Guideline 9.6 (cont'd)		<p>(3) by selecting performance conditions such as Distribution Per Unit and Total Unitholder Returns for equity awards that are aligned with Unitholders' interests;</p> <p>(4) by requiring those KPIs or conditions to be met in order for the at-risk components of remuneration to be awarded or to vest; and</p> <p>(5) forfeiture of the at-risk components of remuneration when those KPIs or conditions are not met at a satisfactory level.</p> <p>In determining the actual quantum of the variable component of remuneration, the NRC had taken into account the extent to which the performance conditions, as set out above, have been met. The NRC is of the view that remuneration is aligned to performance during FY 2016.</p> <p>In order to align the interests of the CEO and key management personnel with those of the Unitholders, the CEO and key management personnel are remunerated partially in the form of Units owned by the Manager and are encouraged to hold such Units while they remain in the employment of the Manager.</p> <p>Please refer to pages 63 to 66 of the Corporate Governance Report for details.</p>
<b>Risk Management and Internal Controls</b>		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	<p>Management provides the Board with relevant and accurate information in a timely manner relating to matters to be brought before the Board, prior to Board meetings and on an ongoing basis.</p> <p>As a general rule, Board papers are required to be sent to Directors at least seven days before each Board meeting. However, sensitive matters may be tabled at the Board meeting itself or discussed without any papers being distributed prior to the Board meeting. Members of the management team who can provide additional insight into the matters at hand would be present at the relevant time during the Board meeting. The Board has separate and independent access to the Manager's senior management for further clarification if required.</p> <p>The information provided to the Board includes financial results, market and business developments, and business and operational information. Such reports keep the Board informed, on a balanced and understandable basis, of Keppel REIT's performance, financial position and prospects. The financial results are also compared against the budgets, together with explanations given for significant variances for the reporting period.</p> <p>Management also surfaces key risk issues for discussion and confers with the ARC and the Board regularly.</p>
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	The Manager's and Keppel REIT's internal audit functions are performed by Keppel Corporation Limited's Group Internal Audit department.
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	<p>The Board oversees the Manager's and Keppel REIT's system of internal controls and risk management with the support from the ARC.</p> <p>The Board's view on the adequacy and effectiveness of the Manager's and Keppel REIT's internal controls and risk management system is based on the framework of management control, the internal control and risk management policies and procedures established and maintained by the Manager and Keppel REIT, and the regular audits, monitoring and reviews performed by the internal auditor and external auditor. The ARC has concurred with this view.</p>

## Code of Corporate Governance 2012

### Guidelines for Disclosure

Guideline	Questions	How has the Company complied?
Guideline 11.3 (cont'd)	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Yes.
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.  (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	<p>For FY 2016, an aggregate amount of S\$273,000, comprising non-audit service fees of S\$7,000 and audit service fees of S\$266,000, was paid/payable to the external auditor of Keppel REIT and its subsidiaries.</p> <p>The ARC undertook a review of the independence and objectivity of the external auditor through discussions with the external auditor as well as reviewing the non-audit fees paid to them, and has confirmed that the non-audit services performed by the external auditor would not affect their independence.</p> <p>In determining the independence of the external auditor, the ARC reviewed all aspects of Keppel REIT's relationships with it including the processes, policies and safeguards adopted by Keppel REIT and the external auditor relating to audit independence. The ARC also considered the nature of the provision of the non-audit services in 2016 and the corresponding fees and ensured that such non-audit fees did not impair or threaten the audit independence. Based on the review, the ARC is of the opinion that the external auditor is, and is perceived to be, independent for the purpose of Keppel REIT's statutory financial audit.</p>
<b>Communication with Shareholders</b>		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?  (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?  (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	<p>Yes. In 2016, the Manager engaged a total of 218 local and foreign investors in 64 meetings, conferences, results luncheons and site visits in Singapore, Amsterdam, Florida, The Hague, Hong Kong, Kuala Lumpur, London and Tokyo.</p> <p>Yes.</p> <p>Engagement with Unitholders and other key stakeholders takes several forms including half and full-year results briefings, corporate announcements, email communications, publications and content on Keppel REIT's website. In addition to Unitholder meetings, senior management also meet with investors, analysts and the media as well as participate in conference calls, roadshows and industry conferences organised by major brokerage firms to solicit and understand the views of the investment community.</p>
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	N.A.

## Corporate Governance

### Code of Corporate Governance 2012

Specific Principles and Guidelines for Disclosure

Relevant Principle of Guideline	Page Reference
<b>Guideline 1.3</b> Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	Pages 58 to 59
<b>Guideline 1.4</b> The number of meetings of the Board and board committees held in the year, as well as the attendance of every board member at these meetings	Page 58
<b>Guideline 1.5</b> The type of material transactions that require board approval under guidelines	Pages 58 to 59
<b>Guideline 1.6</b> The induction, orientation and training provided to new and existing directors	Page 59
<b>Guideline 2.3</b> The Board should identify in the company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him as independent should be disclosed	Pages 59 and 61 to 62
<b>Guideline 2.4</b> Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed.	Not applicable
<b>Guideline 3.1</b> Relationship between the Chairman and the CEO where they are immediate family members	Not applicable
<b>Guideline 4.1</b> Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board	Pages 60 and 73
<b>Guideline 4.4</b> The maximum number of listed company board representations which directors may hold should be disclosed	Page 62
<b>Guideline 4.6</b> Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	Pages 60 to 61
<b>Guideline 4.7</b> Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	Pages 12 to 17 and 75
<b>Guideline 5.1</b> The Board should state in the company's Annual Report how assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report	Pages 62 and 73 to 74
<b>Guideline 7.1</b> Names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board	Pages 60 and 73
<b>Guideline 7.3</b> Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the company	Page 63
<b>Principle 9</b> Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	Pages 63 to 66
<b>Guideline 9.1</b> Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO)	Pages 63 to 66

**Code of Corporate Governance 2012**

## Specific Principles and Guidelines for Disclosure

Relevant Principle of Guideline	Page Reference
<b>Guideline 9.2</b> Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives	Pages 63 to 66
<b>Guideline 9.3</b> Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel	Pages 63 to 66
<b>Guideline 9.4</b> Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000	Page 66
<b>Guideline 9.5</b> Details and important terms of employee share schemes	Pages 63 to 66
<b>Guideline 9.6</b> For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met	Pages 63 to 66
<b>Guideline 11.3</b> The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems  The commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems  The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems	Pages 67 to 69
<b>Guideline 12.1</b> Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board	Pages 66 to 67 and 72 to 73
<b>Guideline 12.6</b> Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement	Page 66
<b>Guideline 12.7</b> The existence of a whistle-blowing policy should be disclosed in the company's Annual Report	Pages 74 to 75
<b>Guideline 12.8</b> Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements	Pages 66 to 67
<b>Guideline 15.4</b> The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings	Pages 69 to 70
<b>Guideline 15.5</b> Where dividends are not paid, companies should disclose their reasons	Not applicable

# Risk Management

## A sound and robust risk management framework ensures that the Manager is ready to meet challenges and seize opportunities.

Proactive and effective risk management is a fundamental part of Keppel REIT’s business strategy.

The Enterprise Risk Management (ERM) framework, which is a component of Keppel REIT’s System of Management Controls, provides Keppel REIT with a holistic and systematic approach towards risk management. It outlines the reporting structure, monitoring mechanisms, specific risk management processes and tools, as well as Keppel REIT’s policies and limits in addressing and managing key risks identified.

### Robust ERM Framework

The Manager adopts a five-step risk management process comprising risk identification, risk assessment, formulation of risk mitigation measures, communication and implementation, as well as monitoring and review.

Upon identification of key risk factors, they are assessed based on the impact and likelihood of occurrence, and covers the investment, financial, operational and reputational aspects of Keppel REIT’s business. Tools such as a risk rating matrix, key risk indicators and risk register assist the Manager in its risk management process.

The Board is responsible for ensuring that the Manager maintains a sound risk management system and internal controls to safeguard Unitholders’ interests and Keppel REIT’s assets.

Assisted by the Audit and Risk Committee (ARC), the Board provides advice to management in formulating various risk policies and guidelines. Terms of reference of the ARC are disclosed on pages 72 and 73 of this Sustainability Report.

The Board and management meet on a quarterly basis or more, when necessary, to review Keppel REIT’s financial performance; assess its current and future operating, financial and investment risks; as well as respond to feedback from the compliance manager and auditors.

The Board, assisted by the ARC, has put in place three Risk Tolerance Guiding Principles for the Manager and Keppel REIT. These principles, which determine the nature and extent of the significant risks that the Manager is willing to take in achieving its strategic objectives, include:

1. Risks taken should be carefully evaluated, commensurate with rewards and are in line with Keppel REIT’s core strengths and strategic objectives.
2. No risk arising from a single area of operation, investment or undertaking should be so huge as to endanger Keppel REIT.
3. Keppel REIT does not condone safety breaches or lapses, non-compliance with laws and regulations, as well as acts such as fraud, bribery and corruption.

The risk management assessment framework also determines the adequacy and effectiveness of the risk management system. In 2016, the Board has assessed and deemed Keppel REIT’s risk management system to be adequate and effective in addressing the key risks identified below:

### 1. Operational Risk

- All operations are aligned with Keppel REIT’s strategies to provide income sustainability. Measures include proactive lease renewals to reduce rental voids, monitoring of rental payments to minimise arrears and bad debts, as well as controlling property expenses to maximise net property income.
- Standard operating procedures are reviewed regularly and good industry practices are incorporated into daily operations.
- The Manager actively engages and fosters close relationships with tenants, as well as manages lease expiries to avoid a disproportionate amount of space expiring in any one year.
- Business continuity plans are tested regularly to ensure Keppel REIT is able to respond effectively to disruptions while continuing with critical business functions and minimising impact on its people, operations and assets.

### 5-Step Risk Management Process



- The assets in Keppel REIT's portfolio are subject to regular external audits to ensure that safety standards and procedures are implemented, and up-to-date.
- For assets that are co-owned, the Manager works closely with the property manager and co-owners to optimise asset performance and control property expenses. The Manager and co-owners also jointly assess and approve all new, renewal, forward renewal, review leases, as well as capital expenditures. The Manager attends regular operational meetings to ensure that the assets are managed in accordance with operating plans.
- Asset enhancement works are conducted, when necessary, to ensure that Keppel REIT's properties remain relevant and competitive.

## 2. Financing Risk

- Liquidity and financing risks are managed in accordance with established guidelines and policies. The Manager proactively monitors its cash flow, debt maturity profile, gearing and liquidity positions including diversifying its funding sources and managing the tenure of borrowings to ensure a well-staggered debt maturity profile.
- The Manager maintains a robust cash flow position and ensures that there are sufficient working capital lines to meet its financial obligations.

## 3. Exposure to Financial Markets Risk

- The Manager constantly monitors Keppel REIT's exposure to changes in foreign exchange and interest rates. It utilises various financial instruments, where appropriate, to hedge against these risks.
- As at 31 December 2016, 75% of total borrowings are on fixed rates, thereby mitigating the risk of adverse interest rate movements.
- In 2016, the Manager adhered to its policy and forward-hedged approximately 90% of income from its Australian assets.

## 4. Credit Risk

- Tenants' financial standing are assessed prior to signing of lease agreements. They are also required to place security deposits upon confirmation of their leases.
- Systematic rental collection procedures are implemented to ensure regular collection of rents, thereby preventing potential rental arrears.

## 5. Investment Risk

- Comprehensive due diligence procedures to assess and evaluate potential investment risks are conducted prior to any transaction. All investment proposals are evaluated objectively based on the Manager's investment criteria, as well as the target asset's specifications, location,

expected returns, yield, growth potential and performance sustainability, while taking into account the prevailing economic cycle and market conditions.

- The Board reviews and approves all transactions only after evaluating the merits, sensitivities and risks involved.
- To manage concentration risk, the effect of each proposed transaction on the Singapore-overseas ratio is assessed before any transaction.

## 6. Compliance Risk

- The Manager, being a Capital Markets Services Licence holder, complies with applicable laws and regulations, including the Singapore Exchange's Listing Rules, Code on Collective Investment Schemes, Property Fund Appendix and conditions of the Capital Markets Services Licence for REIT Management issued by the Monetary Authority of Singapore under the Securities and Futures Act, as well as the tax rulings issued by the Inland Revenue Authority of Singapore.
- The Manager keeps abreast of changes in legislations and regulations, as well as new developments in its operating environment.
- Keppel REIT and the Manager undergo regular internal and external audits to ensure that their practices adhere to relevant policies and processes.



*Regular business continuity exercises ensure that the Manager can respond effectively to disruptions while minimising impact on its operations.*

# Environmental Responsibility

**Sustainability is a collective responsibility. A strong partnership with our tenants is integral in our continued drive to shape a sustainable future.**

In Singapore’s highly urbanised environment, buildings consume about half of the national end-use electricity. As such, green buildings play an important role in shaping the nation’s drive towards a sustainable future.

### Environmental Management

The Manager undertakes a holistic and proactive approach towards environmental management. It has in place an environmental policy, as well as environmental management systems to ensure that its developments operate efficiently. Its property management efforts are aligned with internationally-recognised environmental guidelines including the International Organisation for Standardisation’s ISO 14001:2004.

As part of its environmental management strategy, the Manager is committed to minimise negative environmental impact from its business activities. This includes managing energy and water intensity levels, as well as reducing greenhouse gas (GHG) emissions, and waste generated at its properties.

### Sustainability Benchmarks

Keppel REIT’s office buildings bear internationally-recognised green certifications by leading industry bodies including the Building and Construction Authority (BCA) of Singapore, the Green Building Council of Australia (GBCA) and the National Australian Built Environmental Rating System (NABERS).

Keppel REIT is the first real estate investment trust to be named Regional Sector Leader for the Office Sector in Asia in the Global Real Estate Sustainability Benchmark (GRESB) for three consecutive years, reaffirming its commitment towards excellence in environmental performance. It also ranked 2nd globally across all 733 diversified entities and sectors, as well as among 173 companies in the office sector, up from its 3rd position last year in both categories, and is 1st among listed real estate companies globally.

### Environmental Performance

The Manager develops targets for key material issues to help achieve its objective of improved sustainability performance.

The Manager tracks the environmental performance of its properties through monitoring energy and water usage, as well as managing waste and GHG emissions.

### Energy and Water Consumption

Total energy consumption was 352,000 MWh in 2016. The total indirect energy consumption from electricity, direct cooling and heating at its properties was 347,000 MWh, a decrease of 0.3% from 2015. Direct energy consumption from fuels was about 5,000 MWh. Building energy intensity, or energy use per gross floor area, was 0.46 MWh/m<sup>2</sup>. This was a slight decrease of 0.2% from 2015.

The Manager’s initiatives to reduce energy consumption at its corporate office at Bugis Junction Towers saw a 4% reduction in indirect energy intensity to 0.21 MWh/m<sup>2</sup> in 2016 as compared to 2015. The improvement was a result of sustainable initiatives such as the use of energy efficient and green-labelled office equipment, LED lighting and proactive energy-saving efforts such as switching off lights and equipment when not in use.

Total water consumption for Keppel REIT’s properties was 648,000 m<sup>3</sup> in 2016, down by 4.1% from 676,000 m<sup>3</sup> in 2015. Water intensity, or water use per gross floor area, was 0.85 m<sup>3</sup>/m<sup>2</sup>.

### Waste Management

In 2016, total non-hazardous waste disposed amounted to 9,000 tonnes, an increase of 2% from 2015.

### GHG Emission

Total GHG emission was about 67,000 tonnes of carbon dioxide equivalent (CO<sub>2</sub>e), and building GHG intensity was 0.09 tonnes of CO<sub>2</sub>e/m<sup>2</sup> of gross floor area in 2016, a decrease of 12.7% from 2015 for both metrics.

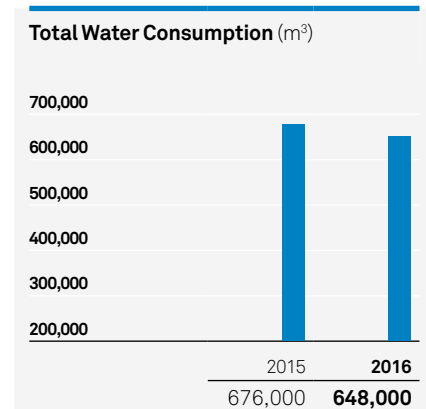
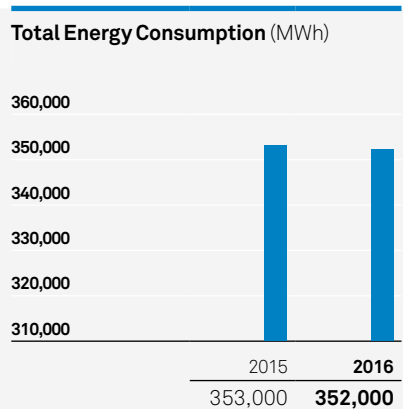
### Compliance

There have been no incidences of non-compliance with environmental laws and regulations in 2016.

### Stakeholder Engagement

The Manager actively engages its partners and tenants in its sustainability journey. This includes regular training sessions, as well as spearheading environmental initiatives to raise awareness on sustainability issues among its stakeholders including its tenants, industry partners and the community at large.

**Keppel REIT seeks to inculcate environmental responsibility among its stakeholders through various eco-initiatives.**





## Key Sustainability Accolades

	Awards	Year
<b>Keppel REIT</b>	<b>Global Real Estate Sustainability Benchmark (GRESB)</b> Achievements at the GRESB 2016	
	• 1st in Asia for Office Sector	2016/2015/2014
	• Regional Leader in Asia for Office Sector	2016/2015/2014
	• 1st in Asia across all diversified entities and sectors	2016/2015
	• 1st amongst the Asia Pacific Real Estate Composite Indices	2016/2015
	• 1st in Asia for listed real estate companies	2016/2015
	• 1st Globally among listed real estate companies	2016
	• 2nd Globally for Office sector	2016
	• 2nd Globally across all diversified entities and sectors	2016
<b>Singapore</b>		
Ocean Financial Centre	BCA Green Mark Platinum BCA Green Mark Pearl Water Efficient Building (Gold)	2016/2013/2008 2016 2015
Bugis Junction Towers	BCA Green Mark Platinum ASEAN Energy Awards Water Efficient Building (Silver)	2014 2016 2015
Marina Bay Financial Centre (Towers 1 & 2)	BCA Green Mark Gold Water Efficient Building (Gold)	2014/2008 2015
Marina Bay Financial Centre (Tower 3)	BCA Green Mark Platinum BCA Green Mark Pearl Water Efficient Building (Gold) BCA Green Mark Gold <sup>Plus</sup>	2016 2015 2015 2010
One Raffles Quay	BCA Green Mark Platinum BCA Green Mark Gold Water Efficient Building (Silver)	2016 2013/2009 2014
<b>Australia</b>		
8 Chifley Square, Sydney	NABERS 5-Stars GBCA 6-Star Green Star – Office Design v2	2016/2015 2012
8 Exhibition Street, Melbourne	NABERS 4.5-Stars	2016/2015
275 George Street, Brisbane	NABERS 5-Stars GBCA 5-Star Green Star – Office Design v2 and As Built ratings	2016/2015 2010/2011
David Malcolm Justice Centre, Perth	GBCA 5-Star Green Star – Office Design v3	2014

For example, the Manager and its tenants work together to improve the sustainability performance of office premises through implementing measures to reduce energy and water consumption at the workplaces.

Green Fit-Out and Green Office Operation Guides are also distributed to encourage tenants to retrofit and operate green workspaces. These guides are customised to the respective buildings.

As energy consumed by tenants for lighting and general power accounts for about half the total energy used in an office building, tenants can substantially influence energy consumption.

The Manager continues to seek support and cooperation from tenants to achieve a sustainable built environment for Singapore.



At the BCA Green Mark Awards 2016, the Manager swept a slew of awards, including the BCA Green Mark Pearl Award (in picture) for Ocean Financial Centre.

## Safety and Health

### The Manager is committed to ensuring a safe environment for all its stakeholders.

The Manager upholds safety as a core value.

As part of the Keppel Group, Keppel REIT is guided by the Keppel Workplace Safety and Health (WSH) 2018 Strategy. It aims to reduce occupational injury rates and inculcate best practices in Health & Safety (H&S) through four key thrusts, namely:

- Implementing an effective safety management system;
- Communicating H&S-related matters regularly;
- Equipping employees with safety and health knowledge; and
- Honouring and recognising employees and contractors for safety excellence.

The Manager promotes good management and ownership of safety among its employees. All employees of the Manager adhere to H&S regulations, safety policies and principles as stipulated

in the Keppel Safety Disciplinary Code and Employee Handbook.

#### Strong Safety Culture

H&S matters are a top priority in the management of Keppel REIT's properties. The Manager has robust safety management systems in place to ensure safety at the workplace.

The Manager believes in inculcating a strong safety culture among its staff and key stakeholders. In doing so, we do our best in ensuring everyone who comes to work goes home safe. The Manager oversees the property management teams to ensure they meet safety requirements.

Fire and evacuation drills are conducted at least once a year at all of Keppel REIT's properties to ensure that all operational staff and tenants are familiar with the building's emergency evacuation procedures.

In Australia, all evacuation wardens, including those from tenants, undergo bi-annual training sessions by accredited trainers. Furthermore, the Manager's Emergency Response teams and Business Continuity Plans guide respective staff on how to react and manage the situation in the event of an emergency, such as a pandemic or terrorist attack.

#### Safety Recognition

In Singapore, Keppel REIT Property Management Pte Ltd, was certified as a bizSAFE Partner from 2015 to 2017 for its support and efforts to improve the safety and health performance of its suppliers.

The property manager also received the bizSAFE Partner Award for two consecutive years, in 2016 and 2017, in recognition of its support and work with suppliers to improve their H&S performance.

The Manager carries out regular reviews and evaluations of



*All of Keppel's stakeholders are encouraged to embrace safety as a personal and collective responsibility.*

Keppel REIT's operations and processes, and conducts annual safety audits of its properties to ensure compliance with the Keppel Group policies, as well as occupational safety and health laws and guidelines in Singapore and Australia. Gaps identified are addressed and mitigated.

In 2016, there were no incidences of non-compliance with health and safety regulations.

### Stakeholders Engagement

Employees are encouraged to participate actively and embrace safety as a personal and collective responsibility. They receive regular and timely updates on safety-related matters, including policies, action plans and accident- and incident-reporting procedures.

All new employees are required to undergo a safety initiation course as part of their orientation programme. There are various platforms in place

to facilitate the learning and sharing of best practices and experiences among employees across the Group, and with contractors and partners. These include the annual Keppel Group Safety Convention, publications and an e-safety portal, which facilitate sharing of best practices and experiences among employees, contractors and partners.

Regular exhibits targeted at employees, tenants and the public are also displayed to raise safety awareness at the REIT's buildings.

### Safety Performance

In 2016, there were zero fatalities in Keppel REIT's properties. There were, however, two workplace incidents involving two of the Manager's contractors. The incidents were investigated and the relevant follow-up measures were taken to prevent recurrence. For its employees and property manager, accident frequency rate and accident severity rate were zero.



*Regular exercises and drills ensure that employees and tenants are kept abreast of the latest emergency procedures.*

## The Keppel Safety & Health Strategy

### Vision

A safe and healthy workplace where everyone goes home safe every day

### Mission

To execute our business activities profitably, safely and responsibly, placing the highest priority on the safety and health of all stakeholders

### Strategic Thrusts

#### Framework

Integrated safety framework for businesses worldwide, with common goals across the Keppel Group

#### System

Adopting best practices, systems, standards and processes

#### Ownership

Strong safety ownership at all levels

#### Partnerships

Engagement across all stakeholder groups

### Outcomes

Strong safety culture

Safety – an integral part of business

Reduction in incidents

## People Matters

### People are our most valuable resource and we are committed to invest in developing and training our workforce.

The Manager is committed to nurture a motivated, skilled and competent workforce. Employees are developed to their fullest potential and are encouraged to harness innovation in their personal and professional growth.

The Manager actively engages its employees through various platforms including annual surveys. Such surveys are useful for measuring employee engagement. Employees are encouraged to give regular and honest feedback to build a more positive and healthy work environment.

Employee engagement, as well as regular training and development are imperative to achieving operational efficiency, and ultimately create value for the Manager's stakeholders. The Manager is committed to retain and develop its talent pool, and strives to remain an employer of choice.

#### Profile of Board of Directors

The Manager has a total of ten Directors who contribute experience, knowledge and core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.

Each year, the Nominating and Remuneration Committee reviews the balance and diversity of skills, experience, gender and knowledge required by the Board that facilitate decision-making.

Further information of the Board of Directors is disclosed in the Corporate Governance section of this Sustainability Report.

#### Profile of Employees

The Manager's workforce as at end-2016 comprises a total of 39 staff. This includes 37 full-time employees and two full-time contract staff. All employees are based in Singapore.

Employees of the Manager enjoy benefits which include medical, insurance and leave entitlements.

Of the full-time employees, 31 are executives and six are non-executives. In 2016, two full-time employees who took parental leave returned to work after leave.

In 2016, the Manager recruited a total seven employees, including one male and six females. In the same period, six male and four female employees left the Manager.

Of the seven new hires, four were below 30 years old, while three were 30 years old and above. Of the employees who left, one was below 30 years old, while the others were 30 years old and above.

#### Policy of Non-discrimination

In support of human rights principles, the Manager adheres to fair employment practices and provides equal opportunities with regards to recruitment and career development of its employees. The Manager adopts merit-based recruitment practices, and places emphasis on diversity and inclusiveness.

Similarly, all employees have opportunities for advancement such as recognition of achievements, promotions, compensation and training. In 2016, 79% of the workforce were females, of which 74% were executives.

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**With people as the cornerstone of its business, the Manager will continue to nurture and build the capabilities of its talent pool.**



*At Keppel REIT, employees are developed to their fullest potential and are presented with opportunities for professional growth.*

The Manager demonstrates its commitment to non-discrimination and equal opportunities. It supports the Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP) and strives to uphold the principles articulated in its Employer's Pledge of Fair Employment Practices, which are guided by the following five principles:

1. Recruit and select employees on the basis of merit;
2. Treat employees fairly and with respect and implement progressive HR management systems;
3. Provide employees with equal opportunity to be considered for training and development;
4. Reward employees fairly; and
5. Abide by labour laws and adopt Tripartite Guidelines which promote fair employment practices.

In 2016, there were no reported incidences of discrimination raised by the Manager's employees. None of the Manager's employees are covered under any collective bargaining agreements.

### Training & Development

The Manager provides training and development programmes to nurture employees. In 2016, the average training hours per full-time employee was 44.2 hours.

Employees of the Finance team also participated in a workshop as part of the Finance Management Development Programme Learning Series in March 2016. About 100 employees from across the Keppel Group attended the session which focused on understanding REITs, business trusts, their tax and regulatory frameworks, as well as their relevance to the Group's asset management business.

During the year, a training session on anti-corruption was organised for employees to reinforce the Manager's stance against corruption.

In August 2016, the Manager participated in Keppel Capital's inaugural staff day, which brought together approximately 130 employees from the four asset managers. The session allowed employees to tap the expertise of the managers' various verticals, harness and leverage their collective strength as *OneKeppel*.

### Performance Management

The Manager conducts annual performance reviews for all employees. The process, undertaken jointly by the employee and supervisor, entails the setting of targets and a career developmental roadmap detailing work plans, training and measurable performance targets.

In building a pipeline of future leaders, there are Group-level programmes to identify and develop high potential employees. Three of the Manager's employees were selected for the Keppel Young Leadership Programme, a seedbed to nurture high-potential employees across the Keppel Group. The selected employees were provided with rich exposure and learning experiences, as well as many opportunities to interact with one another, cultivating global mindsets, innovative thinking and honing entrepreneurial skills.

### Employee Engagement

The Manager continually engages its employees to better understand their needs and expectations. Two-way feedback between employer and employee is highly encouraged. Keppel REIT participated in the Keppel Group 2016 Employee Engagement Survey that measured employee satisfaction.

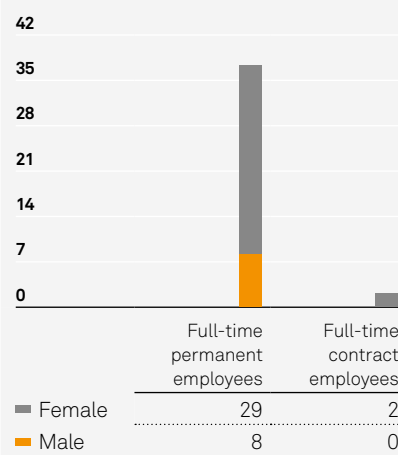
Employees of the Manager also participated in Keppel Land's Annual Staff Conference (ASC) in 2016, during which plenary sessions and workshops were held. During the ASC, teams also took part in the Work of a Winner competition which encourages the sharing of best work practices.

### Core Values

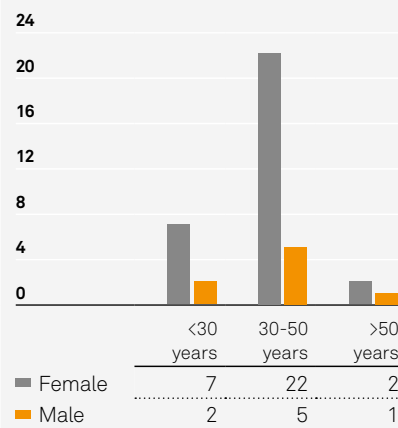
Employees took part in the 'Values-In-Action' programme, which helps deepen their understanding of the Group's core values. The programme is part of the orientation activities for all new hires.

Employees of the Manager also take part in the Keppel Games, an annual sporting competition organised to promote wellness and team spirit.

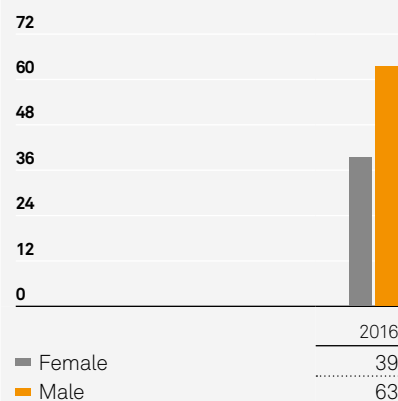
**Employee Distribution by Employment Type, Employment Contract & Gender**



**Employee Profile by Age and Gender**



**Average Training Hours by Gender**



## Community Relations

**We are committed to contribute to the community and create positive impact wherever we operate.**

As a responsible corporate citizen, the Manager adopts a proactive approach in engaging its stakeholders and supporting initiatives that positively impact the community.

Beyond monetary contributions, its engagement activities involve its tenants and the local communities. It also seeks to encourage further growth of the REIT sector.

### Engaging Tenants

The 41st Ocean Financial Centre Golf Tournament took place on 3 June 2016 at the Tanah Merah Country Club.

Jointly organised by the Manager and Keppel Land, the annual golf tournament is a platform for management to engage and network with its tenants and other stakeholders.

### Promoting the REIT sector

In May 2016, the Manager participated in the inaugural REITs Race in Singapore. Jointly organised by the Singapore Exchange (SGX)

and REIT Association of Singapore, the event helped raise awareness on REITs among the local investing public.

Held in conjunction with SGX's flagship retail investor education event, My First Stock Carnival, the event attracted close to 200 participants.

To educate the youth about the Singapore REIT industry, the Manager hosted about 50 students in a session which provided a better understanding of the industry and Keppel REIT's business operations. The event was part of the Asian Cities Programme by the Real Estate Academy in China.

### Supporting the underprivileged

In conjunction with the Mid-Autumn Festival and Keppel REIT's 10th Anniversary, tenants, Directors and staff of the Manager, as well as invited guests gathered at the open plaza of Ocean Financial Centre in September 2016 for the Light-a-Lantern event.

The event venue was adorned with hand-painted lanterns and creative visuals by the Muscular Dystrophy Association (Singapore) (MDAS). On top of the visual treat, guests savoured mooncakes of different flavours with Chinese tea, while being regaled with the melodies of a Chinese string ensemble.

Sharing the festive joy with MDAS, the Manager donated \$10,000 to the association, while Directors and staff of the Manager further contributed personal donations amounting to \$6,000.

In June 2016, the Manager brought youth members from MDAS for an excursion to the Lee Kong Chian Natural History Museum, where they immersed themselves in the exhibits showcasing Singapore's rich biodiversity.

On 19 October 2016, Ocean Financial Centre was also the backdrop for Catalonia's 229-man human tower during the opening performance of the



*The Manager supported the REITs Race where participants had to "check in" at Ocean Financial Centre's iconic "Tall Tree in the Eye" art sculpture.*

Catalan Week. This is the first time that Singapore has hosted Catalonia's human tower event.

Keppel REIT was the building partner for the Purple Parade 2016. The initiative supports inclusion and celebrates the abilities of people with special needs. To show its support, the façade of Ocean Financial Centre was lit in purple between 29 October and 5 November 2016.

### Supporting good causes

The Manager also supported the Agri-Food & Veterinary Authority of Singapore's nationwide consumption of local produce. Ocean Financial Centre was one of the venues where food trucks and roadshows were organised.

In making a positive impact to the community, the Manager sponsored \$2,000 for approximately 60 children from the Movement for the Intellectually Disabled of Singapore to attend

The Nutcracker performance held at the Esplanade Theatre on 7 December 2016.

Further spreading Christmas cheer, in December 2016, together with Keppel Land, the Manager invited tenants at Ocean Financial Centre and Bugis Junction Towers to grant a wish for children from the MDAS, Care Corner Student Care Centre (Admiralty) and Chen Su Lan Methodist Children's Home. About 180 children wrote their wishes on tags hung on Christmas trees in the office lobbies. Their wishes were fulfilled by generous tenants, and the gifts were presented to the children between 19 to 21 December 2016.

Also in December 2016, a chorale from the Anglo-Chinese Junior College presented Christmas carols at Ocean Financial Centre and Bugis Junction Towers, bringing festive cheer to the office crowd and visitors.

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**The Manager adopts a proactive approach to corporate social responsibility and strives to touch lives of the less privileged in the community.**



*The Manager brings cheer to beneficiaries including youths from the Muscular Dystrophy Association (Singapore).*

# GRI Content Index

## GRI G4 In Accordance – Core

GRI Indicator		Disclosure	Page Reference
<b>General Standard Disclosures</b>			
<b>Strategy and Analysis</b>			
G4-1	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	●	AR (08)
<b>Organisational Profile</b>			
G4-3	Name of the organisation	●	Cover
G4-4	Primary brands, products, and/or services	●	AR (03)
G4-5	Location of organisation's headquarters	●	Back Cover
G4-6	Number and names of countries where the organisation operates	●	AR (03)
G4-7	Nature of ownership and legal form	●	AR (11)
G4-8	Markets served	●	AR (03)
G4-9	Scale of the organisation	●	AR (03)
G4-10	Employees profile	●	90-91
G4-11	Percentage of total employees covered by collective bargaining agreements	●	91
G4-12	Organisation's supply chain	●	54
G4-13	Significant changes during the reporting period	●	AR (08-09)
G4-14	Whether and how the precautionary approach or principle is addressed by the organisation	●	AR (84-85)
G4-15	Externally-developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	●	52-53
G4-16	Memberships in associations	●	54
<b>Identified Material Aspects and Boundaries</b>			
G4-17	List all entities included or not included in organisation's financial statements	●	AR (11), (125-131)
G4-18	Process for defining the report content and the Aspect Boundaries and how the organisation has implemented the Reporting Principles for Defining Report Content	●	53-55
G4-19	List all the material Aspects identified in the process for defining report content	●	55
G4-20	For each material Aspect, report the Aspect Boundary within the organisation	●	55
G4-21	Report the Aspect Boundary outside the organisation	●	55
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	●	Not applicable as this is Keppel REIT's first GRI G4 report
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	●	Not applicable as this is Keppel REIT's first GRI G4 report
<b>Stakeholder Engagement</b>			
G4-24	List of stakeholder groups engaged by the organisation	●	56
G4-25	Basis for identification and selection of stakeholders with whom to engage	●	56
G4-26	Approach to stakeholder engagement	●	56
G4-27	Key topics and concerns raised through stakeholder engagement, and how the organisation has responded.	●	56
<b>Report Profile</b>			
G4-28	Reporting period for information provided	●	53
G4-29	Date of most recent previous report	●	Not applicable, as this is Keppel REIT's first GRI G4 report
G4-30	Reporting cycle	●	53
G4-31	Contact point for questions regarding the report or its contents	●	53
G4-32	Report on 'In accordance' option, GRI Content Index, reference to External Assurance	●	53
G4-33	Policy and current practice with regard to seeking external assurance for the report	●	This report has not been externally assured
<b>Governance</b>			
G4-34	Governance structure of the organisation	●	54
<b>Ethics and Integrity</b>			
G4-56	Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	●	52, 54, 68
G4-58	Internal and external mechanisms for reporting concerns about ethical and lawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	●	AR (74-75)

Legend ● Fully reported ● Partially reported



GRI Indicator		Disclosure	Page Reference
<b>Specific Standard Disclosures</b>			
<b>Category: Economic</b>			
<b>Aspect: Economic Performance</b>			
G4-DMA	Generic Disclosures on Management Approach (DMA)	●	54-56
G4-EC1	Direct economic value generated and distributed	●	AR (04-05)
G4-EC3	Coverage of the organisation's defined benefit plan obligations	●	All employees are covered by Singapore's mandatory "Central Provident Fund (CPF)" system.
G4-EC4	Financial assistance received from government	●	54
<b>Category: Environmental</b>			
<b>Aspect: Materials</b>			
G4-DMA	DMA	●	86-87
G4-EN1	Materials used by weight or volume	●	Keppel REIT does not have data for FY 2016
<b>Aspect: Energy</b>			
G4-DMA	DMA	●	86-87
G4-EN3	Energy consumption within the organisation	●	86-87
G4-EN5 CRE1	Energy intensity	●	86
G4-EN6	Reduction of energy consumption	●	86-87
<b>Aspect: Water</b>			
G4-DMA	DMA	●	86-87
G4-EN8	Total water withdrawal by source	●	Keppel REIT does not have data for FY 2016
CRE2	Building water intensity	●	86
<b>Aspect: Emissions</b>			
G4-DMA	DMA	●	86-87
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	●	86
G4-EN18 CRE3	GHG emission intensity of buildings	●	86
G4-EN19	Reduction of GHG emissions	●	86
<b>Aspect: Effluents and Waste</b>			
G4-DMA	DMA	●	86-87
G4-EN23	Total weight of waste by type and disposal method	●	86
<b>Aspect: Products and Services</b>			
G4-DMA	DMA	●	86-87
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	●	86-87
<b>Aspect: Compliance</b>			
G4-DMA	DMA	●	86-87
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	●	86
<b>Category: Social</b>			
<b>Sub-Category: Labor Practices and Decent Work</b>			
<b>Aspect: Employment</b>			
G4-DMA	DMA	●	90-91
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	●	90-91
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	●	Not applicable, Keppel REIT has no temporary nor part-time employees
G4-LA3	Return to work and retention rates after parental leave, by gender	●	90
<b>Aspect: Occupational Health and Safety</b>			
G4-DMA	DMA	●	88-89
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	●	89
<b>Aspect: Training and Education</b>			
G4-DMA	DMA	●	90-91
G4-LA9	Average hours of training per year per employee by gender, and by employee category	●	91

Legend ● Fully reported ○ Partially reported

## GRI Content Index

GRI Indicator	Disclosure	Page Reference
G4-LA11	●	91
Percentage of employees receiving regular performance and career development reviews, by gender and by employee category		
<b>Aspect: Diversity and Equal Opportunity</b>		
G4-DMA	●	90-91
G4-LA12	●	Given the small number of employees, Keppel REIT doesn't disclose minority group membership 90-91, AR (59-60), (73, 76)
Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity		
<b>Sub-Category: Human Rights</b>		
<b>Aspect: Non-Discrimination</b>		
G4-DMA	●	90-91
G4-HR3	●	90-91
Total number of incidents of discrimination and corrective actions taken		
<b>Sub-Category: Society</b>		
<b>Aspect: Local Communities</b>		
G4-DMA	●	92-93
G4-SO1	●	We do not currently track this data.
G4-SO2	●	None of our operations have had negative impacts on local communities
Operations with significant potential and actual negative and positive impacts on local communities		
<b>Aspect: Anti-Corruption</b>		
G4-DMA	●	AR (70-71)
G4-SO4	●	91
G4-SO5	●	We have had no cases of corruption in FY 2016
Confirmed incidents of corruption and actions taken		
<b>Aspect: Anti-Competitive Behavior</b>		
G4-DMA	●	54
G4-SO7	●	We have not had any legal cases for anti-competitive or anti-trust behavior for FY 2016
Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes		
<b>Aspect: Compliance</b>		
G4-DMA	●	54-55
G4-SO8	●	54
G4-PR9	●	54
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		
<b>Sub-Category: Product Responsibility</b>		
<b>Aspect: Customer Health and Safety</b>		
G4-DMA	●	52, 54-56, 88-89
G4-PR2	●	54
Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes		
<b>Aspect: Product and Service Labeling</b>		
G4-DMA	●	54
CRE8	●	86-87
Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment.		
<b>Aspect: Marketing Communications</b>		
G4-DMA	●	54-55
G4-PR7	●	54
Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcome		
<b>Aspect: Customer Privacy</b>		
G4-DMA	●	54
G4-PR8	●	54
Total number of substantiated complaints regarding breaches of customer privacy and loss of customer data		

Legend ● Fully reported ○ Partially reported

# Financial Statements

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## Report of the Trustee

For the financial year ended 31 December 2016

RBC Investor Services Trust Singapore Limited (the "Trustee") is under a duty to take into custody and hold the assets of Keppel REIT and its subsidiaries in trust for the holders of units ("Unitholders") in Keppel REIT. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of Keppel REIT Management Limited (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 28 November 2005 (as amended) (the "Trust Deed") between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed Keppel REIT and its subsidiaries during the period covered by these financial statements, set out on pages 103 to 152 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,

**RBC Investor Services Trust Singapore Limited**



**Hoi Sau Kheng**

Director

Singapore, 17 February 2017

# Statement by the Manager

For the financial year ended 31 December 2016

In the opinion of the Directors of Keppel REIT Management Limited (the “Manager”), the accompanying financial statements set out on pages 103 to 152 comprising the Balance Sheets, Statement of Total Return, Distribution Statement, Portfolio Statement, Statements of Movements in Unitholders’ Funds, Statement of Cash Flows and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial positions of the Group and the Trust as at 31 December 2016, the total return, distributable income, movements in Unitholders’ funds and cash flows of the Group and the movements in Unitholders’ funds of the Trust for the year ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 (Revised 2012) “Reporting Framework for Unit Trusts” issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust would be able to meet their financial obligations as and when they materialise.

For and on behalf of the Manager,  
**Keppel REIT Management Limited**



**Lee Chiang Huat**  
Director

Singapore, 17 February 2017

# Independent Auditor's Report to the Unitholders of Keppel REIT

For the financial year ended 31 December 2016

## To the Unitholders of Keppel REIT

### Our opinion

In our opinion, the accompanying consolidated financial statements of Keppel REIT (the "Trust") and its subsidiaries (the "Group") are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, so as to present fairly, in all material respects, the financial position of the Trust and the Group as at 31 December 2016, the total return, amount distributable, portfolio statement, and consolidated cash flows of the Group, and the movement in Unitholders' funds of the Trust and the Group for the financial year then ended.

### What we have audited

The financial statements of the Trust and the Group comprise:

- Balance Sheets as at 31 December 2016 of the Trust and the Group;
- Statement of Total Return for the financial year ended 31 December 2016 of the Group;
- Distribution Statement for the financial year ended 31 December 2016 of the Group;
- Portfolio Statement as at 31 December 2016 of the Group;
- Statement of Cash Flows for the financial year ended 31 December 2016 of the Group;
- Statements of Movements in Unitholders' Funds for the financial year ended 31 December 2016 of the Trust and the Group; and
- Notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information

### Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of investment properties</b></p> <p>The Group owns a portfolio of investment properties stated at their fair values based on independent external valuations. Information relating to these investment properties are disclosed in Note 3 to the financial statements.</p> <p>The valuation of investment properties involve significant judgements regarding the assumptions used in the valuation methods. These assumptions include comparable market transactions for the properties and future market conditions which impact the capitalisation rates and discount rates used in the valuation methods. As small changes in these rates can result in material impact to the values of the properties, we considered this as a key audit matter.</p>	<p>We assessed the competence, capabilities and objectivity of the external valuers engaged by the Manager and the Trustee to estimate the value of the Group's properties.</p> <p>We evaluated the appropriateness of the valuation methods adopted by the external valuers and found their use to be in accordance with the relevant valuation standards. The valuation methods are listed in Note 3 to the financial statements.</p> <p>To ascertain the appropriateness of the key inputs and assumptions used in the valuation, we tested the integrity of inputs of the projected cash flows used in the valuation to supporting documentation and assessed the reasonableness of these cash flows by comparing them against current year actual results and historical growth rates. We compared the capitalisation rate and discount rate against those used for similar type of properties and in prior year, and assessed the appropriateness of the comparable transactions, taking into account the nature, location and size of the property. We reviewed the adjustments made to the pre-adjusted sales price in arriving at the final property valuation.</p>

Key audit matter	How our audit addressed the key audit matter
	<p>We have also assessed the adequacy of the disclosures relating to the assumptions, as we consider them as likely to be significant to users of the financial statements given the estimation uncertainty and sensitivity of the valuations.</p> <p>The valuers are members of recognised professional bodies for external valuers. We found that the valuation methodologies used were in line with generally accepted market practices and the key assumptions used were within the range of market data. We also found the disclosures in the financial statements to be appropriate.</p>

### Other information

The Manager and Trustee are responsible for the other information. The other information comprises the information included in the Report of the Trustee and Statement by the Manager, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and other sections of the Keppel REIT Report to Unitholders 2016 ("Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

### Responsibilities of the Manager and those charged with governance for the financial statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Group or to cease the Group's operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Independent Auditor's Report to the Unitholders of Keppel REIT

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeow Chee Keong.

The logo for PricewaterhouseCoopers LLP, featuring the company name in a stylized, cursive script.

**PricewaterhouseCoopers LLP**

Public Accountants and Chartered Accountants

Singapore, 17 February 2017



# Balance Sheets

As at 31 December 2016

	Note	Group		Trust	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Non-current assets</b>					
Investment properties	3	3,618,097	3,691,073	540,000	550,000
Investments in subsidiaries	4	–	–	1,837,110	1,837,852
Investments in associates	5	2,525,112	2,497,798	2,025,483	2,025,483
Advances to associates	8	610,922	608,922	610,922	608,922
Investments in joint ventures	6	450,284	408,112	–	–
Amounts owing by subsidiaries	7	–	–	852,650	818,836
Fixed assets		190	199	31	1
Intangible asset	9	22,511	37,823	20,471	32,600
Derivative financial instruments	13	18,016	17,542	16,354	9,965
		<b>7,245,132</b>	7,261,469	<b>5,903,021</b>	5,883,659
<b>Current assets</b>					
Trade and other receivables	10	10,662	18,057	7,721	27,502
Prepaid expenses		604	1,031	11	27
Cash and bank balances	11	278,682	144,601	141,948	126,501
Derivative financial instruments	13	245	260	99	260
		<b>290,193</b>	163,949	<b>149,779</b>	154,290
<b>Total assets</b>		<b>7,535,325</b>	7,425,418	<b>6,052,800</b>	6,037,949
<b>Current liabilities</b>					
Trade and other payables	12	51,828	51,208	34,640	26,285
Income received in advance	14	278	758	–	–
Borrowings (unsecured)	15	–	25,355	–	–
Security deposits		3,545	9,172	431	1,902
Derivative financial instruments	13	1,483	168	1,281	168
Provision for taxation		2,735	3,284	2,735	3,315
		<b>59,869</b>	89,945	<b>39,087</b>	31,670
<b>Non-current liabilities</b>					
Income received in advance	14	25,152	45,742	25,152	45,483
Borrowings (secured)	15	348,201	812,584	348,201	347,746
Borrowings (unsecured)	15	2,133,553	1,651,633	1,667,700	1,680,380
Derivative financial instruments	13	7,315	464	6,287	464
Security deposits		27,869	21,435	2,976	2,202
Deferred tax liabilities	16	34,808	25,767	–	–
		<b>2,576,898</b>	2,557,625	<b>2,050,316</b>	2,076,275
<b>Total liabilities</b>		<b>2,636,767</b>	2,647,570	<b>2,089,403</b>	2,107,945
<b>Net assets</b>		<b>4,898,558</b>	4,777,848	<b>3,963,397</b>	3,930,004
Represented by:					
Unitholders' funds		4,746,717	4,626,021	3,813,696	3,780,285
Perpetual securities	17	149,701	149,719	149,701	149,719
Non-controlling interest		2,140	2,108	–	–
		<b>4,898,558</b>	4,777,848	<b>3,963,397</b>	3,930,004
<b>Units in issue ('000)</b>	17	<b>3,291,616</b>	3,216,124	<b>3,291,616</b>	3,216,124
<b>Net asset value per Unit (\$)</b>		<b>1.44</b>	1.44	<b>1.16</b>	1.18

The accompanying notes form an integral part of these financial statements.

# Statement of Total Return

For the financial year ended 31 December 2016

	Note	Group	
		2016 \$'000	2015 \$'000
Property income	18	161,252	170,347
Property expenses	19	(32,882)	(32,882)
<b>Net property income</b>		<b>128,370</b>	137,465
Rental support	20	16,746	20,480
Share of results of associates	5	83,460	75,695
Share of results of joint ventures	6	30,789	17,163
Interest income		27,459	36,940
Amortisation expense	9	(15,312)	(18,763)
Trust expenses	21	(56,858)	(56,770)
Borrowing costs	22	(64,049)	(67,313)
Net change in fair value of derivative financial instruments	13	9,018	3,879
<b>Net income before gain on divestment of investment property and net change in fair value of investment properties</b>		<b>159,623</b>	148,776
Gain on divestment of investment property	3	28,299	–
Net change in fair value of investment properties	23	91,171	218,038
<b>Total return before tax</b>		<b>279,093</b>	366,814
Income tax expense	24	(21,306)	(27,966)
<b>Total return for the year</b>		<b>257,787</b>	338,848
Attributable to:			
Unitholders		250,191	337,495
Perpetual securities holders		7,490	1,228
Non-controlling interest		106	125
		<b>257,787</b>	338,848
Basic and diluted earnings per Unit (cents) based on total return for the year	25	7.67	10.58
Basic and diluted earnings per Unit (cents) based on total return for the year and excluding gain on divestment of investment property, net change in fair value of investment properties and related tax expenses	25	4.40	4.40

The accompanying notes form an integral part of these financial statements.

# Distribution Statement

For the financial year ended 31 December 2016

	Group	
	2016 \$'000	2015 \$'000
<b>Income available for distribution to Unitholders at beginning of the year</b>	<b>54,269</b>	8,480
Net income before gain on divestment of investment property and net change in fair value of investment properties	<b>159,623</b>	148,776
Net income attributable to perpetual securities holders	<b>(7,490)</b>	(1,228)
Net income before net change in fair value of investment property attributable to non-controlling interest	<b>(72)</b>	(73)
Net tax and other adjustments (Note A)	<b>77,368</b>	97,759
Income tax expense	<b>(21,306)</b>	(27,966)
	<b>208,123</b>	217,268
Income available for distribution to Unitholders	<b>262,392</b>	225,748
Distribution to Unitholders:		
Distribution of 0.26 cents per Unit for the period from 16/12/2014 to 31/12/2014	–	(8,243)
Distribution of 1.70 cents per Unit for the period from 1/1/2015 to 31/3/2015	–	(54,009)
Distribution of 1.72 cents per Unit for the period from 1/4/2015 to 30/6/2015	–	(52,132)
Distribution of 1.70 cents per Unit for the period from 1/7/2015 to 30/9/2015	–	(51,874)
Distribution of 1.68 cents per Unit for the period from 1/10/2015 to 31/12/2015	<b>(44,871)</b>	–
Distribution of 1.68 cents per Unit for the period from 1/1/2016 to 31/3/2016	<b>(43,526)</b>	–
Distribution of 1.61 cents per Unit for the period from 1/4/2016 to 30/6/2016	<b>(45,848)</b>	–
Distribution of 1.60 cents per Unit for the period from 1/7/2016 to 30/9/2016	<b>(48,318)</b>	–
	<b>(182,563)</b>	(166,258)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/4/2015 to 30/6/2015	–	(2,687)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/7/2015 to 30/9/2015	–	(2,534)
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/10/2015 to 31/12/2015	<b>(9,160)</b>	–
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/1/2016 to 31/3/2016	<b>(10,912)</b>	–
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/4/2016 to 30/6/2016	<b>(6,669)</b>	–
Distribution in relation to the Distribution Reinvestment Plan for the period from 1/7/2016 to 30/9/2016	<b>(4,134)</b>	–
	<b>(30,875)</b>	(5,221)
Total Unitholders' distribution (including capital return) (Note B)	<b>(213,438)</b>	(171,479)
<b>Income available for distribution to Unitholders at end of the year</b>	<b>48,954</b>	54,269
<b>Note A – Net tax and other adjustments comprise:</b>		
- Manager's management fees paid and payable in Units	<b>50,515</b>	49,984
- Trustee's fees	<b>1,248</b>	1,229
- Amortisation of intangible asset and capitalised transaction costs	<b>19,143</b>	21,807
- Share of results of associates	<b>(83,460)</b>	(75,695)
- Share of results of joint ventures	<b>(30,789)</b>	(17,163)
- Effect of recognising rental income on a straight-line basis over the lease terms	<b>279</b>	(721)
- Interest income to be received	<b>(614)</b>	(243)
- Net change in fair value of derivative financial instruments	<b>(9,018)</b>	(3,879)
- Deferred tax expense	<b>7,776</b>	20,967
- Other gains distribution	<b>11,000</b>	11,000
- Other items	<b>1,662</b>	453
	<b>(32,258)</b>	7,739
Dividend and distribution income from associates	<b>86,453</b>	75,762
Distribution income from joint ventures	<b>23,173</b>	14,258
<b>Net tax and other adjustments</b>	<b>77,368</b>	97,759
<b>Note B – Total Unitholders' distribution</b>		
- Taxable income	<b>(143,551)</b>	(113,157)
- Tax exempt income	<b>(40,984)</b>	(42,676)
- Other gains	<b>(15,905)</b>	(6,081)
- Capital return	<b>(12,998)</b>	(9,565)
	<b>(213,438)</b>	(171,479)

The accompanying notes form an integral part of these financial statements.

# Portfolio Statement

As at 31 December 2016

## Group

Description of Property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value 2016 \$'000	Carrying value 2015 \$'000	Percentage of net assets 2016 %	Percentage of net assets 2015 %
<b>Investment properties in Singapore:</b>									
Bugis Junction Towers	Leasehold	99 years	72.7 years	230 Victoria Street	Commercial	540,000	550,000	11.0	11.5
Ocean Financial Centre <sup>1</sup>	Leasehold interest	99 years	93.9 years	10 Collyer Quay	Commercial	2,627,332	2,593,027	53.6	54.3
<b>Investment properties in Australia:</b>									
275 George Street <sup>2</sup>	Freehold <sup>3</sup>	NA	NA	Brisbane	Commercial	213,855	204,000	4.4	4.3
77 King Street office tower <sup>10</sup>	Freehold <sup>3</sup>	NA	NA	Sydney	Commercial	–	128,520	–	2.7
8 Exhibition Street <sup>4</sup>	Freehold <sup>3</sup>	NA	NA	Melbourne	Commercial	236,910	215,526	4.8	4.5
<b>Investment properties, at valuation (Note 3)</b>						<b>3,618,097</b>	3,691,073	<b>73.8</b>	77.3
<b>Investments in associates and joint ventures, advances to associates (Notes 5, 6 and 8) and intangible asset (Note 9)</b>						<b>3,608,829</b>	3,552,655	<b>73.7</b>	74.4
Investment properties held by joint ventures:									
8 Chifley Square <sup>5</sup>	Leasehold	99 years	88.3 years	Sydney	Commercial				
David Malcolm Justice Centre <sup>6</sup>	Leasehold	99 years	97.7 years	Perth	Commercial				
Investment properties held by associates:									
One Raffles Quay <sup>7</sup>	Leasehold	99 years	83.4 years	1 Raffles Quay	Commercial				
Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall <sup>8</sup>	Leasehold	99 years	87.8 years	Nos. 8, 8A and 10 Marina Boulevard	Commercial				
Marina Bay Financial Centre Tower 3 <sup>9</sup>	Leasehold	99 years	89.2 years	No. 12 Marina Boulevard	Commercial				
<b>Other assets and liabilities (net)</b>						<b>(2,328,368)</b>	(2,465,880)	<b>(47.5)</b>	(51.7)
<b>Net assets</b>						<b>4,898,558</b>	4,777,848	<b>100.0</b>	100.0

1 Carrying value is based on 100.0% of Ocean Financial Centre. Keppel REIT owns approximately 99.9% (2015: 99.9%) interest in Ocean Financial Centre.

2 Comprises 50.0% (2015: 50.0%) interest in 275 George Street.

3 Also known as estate in fee simple.

4 Comprises 50.0% (2015: 50.0%) interest in 8 Exhibition Street office building and two retail units. On 12 October 2015, Keppel REIT acquired 100.0% interest in the three adjoining retail units.

5 Comprises 50.0% (2015: 50.0%) interest in 8 Chifley Square, held through Mirvac 8 Chifley Trust.

6 Comprises 50.0% (2015: 50.0%) interest in David Malcolm Justice Centre (formerly known as Old Treasury Building), held through Mirvac (Old Treasury) Trust. David Malcolm Justice Centre received its Certificate of Practical Completion on 31 August 2015.

7 Comprises one-third (2015: one-third) interest in One Raffles Quay, held through One Raffles Quay Pte Ltd.

8 Comprise one-third (2015: one-third) interest in Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall, held through BFC Development LLP.

9 Comprises one-third (2015: one-third) interest in Marina Bay Financial Centre Tower 3, held through Central Boulevard Development Pte. Ltd.

10 On 29 January 2016, Keppel REIT divested its entire interest in 77 King Street office tower.

The accompanying notes form an integral part of these financial statements.

The carrying amounts of the Group's assets under management as at 31 December 2016 and 31 December 2015 were based on valuations undertaken by various independent valuers. The independent valuers have appropriate professional qualifications and experience in the location and asset class of the properties being valued. The below valuations were determined based on the capitalisation approach, discounted cash flows analysis and direct comparison method, and assessed in accordance with the Group's respective interests in the properties and include rental support top-up payments, where applicable.

## **FY2016**

Property	Independent valuer	Date of valuation	Valuation \$'000
<b>Investment properties in Singapore:</b>			
Bugis Junction Towers	Colliers International Consultancy & Valuation (Singapore) Pte Ltd	31 December 2016	<b>540,000</b>
Ocean Financial Centre	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2016	<b>2,627,000<sup>1</sup></b>
<b>Investment properties in Australia:</b>			
275 George Street	m3Property (Qld) Pty Ltd	31 December 2016	<b>213,855</b>
8 Exhibition Street, comprising 50% interest in the office building and two retail units, and 100% interest in the three adjoining retail units	CIVAS (VIC) Pty Limited	31 December 2016	<b>236,910</b>
<b>Investment properties held by associates:</b>			
One Raffles Quay	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2016	<b>1,273,000</b>
Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2016	<b>1,693,000</b>
Marina Bay Financial Centre Tower 3	Colliers International Consultancy & Valuation (Singapore) Pte Ltd	31 December 2016	<b>1,316,000</b>
<b>Investment properties held by joint ventures:</b>			
8 Chifley Square	CIVAS (NSW) Pty Limited	31 December 2016	<b>235,850</b>
David Malcolm Justice Centre <sup>2</sup>	Colliers International (WA) Pty Ltd	31 December 2016	<b>219,950</b>
			<b>8,355,565</b>

The accompanying notes form an integral part of these financial statements.

## Portfolio Statement

### FY2015

Property	Independent valuer	Date of valuation	Valuation \$'000
<b>Investment properties in Singapore:</b>			
Bugis Junction Towers	Colliers International Consultancy & Valuation (Singapore) Pte Ltd	31 December 2015	<b>550,000</b>
Ocean Financial Centre	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2015	<b>2,597,000<sup>1</sup></b>
<b>Investment properties in Australia:</b>			
275 George Street	m3Property (Qld) Pty Ltd	31 December 2015	<b>204,000</b>
77 King Street office tower	Savills Valuation Pty Ltd	31 July 2015	<b>128,520</b>
8 Exhibition Street, comprising 50% interest in the office building and two retail units, and 100% interest in the three adjoining retail units	CIVAS (VIC) Pty Limited	31 December 2015	<b>215,526</b>
<b>Investment properties held by associates:</b>			
One Raffles Quay	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2015	<b>1,263,000</b>
Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall	Savills Valuation and Professional Services (S) Pte Ltd	31 December 2015	<b>1,682,000</b>
Marina Bay Financial Centre Tower 3	Cushman & Wakefield VHS Pte Ltd	31 December 2015	<b>1,307,000</b>
<b>Investment properties held by joint ventures:</b>			
8 Chifley Square	CIVAS (NSW) Pty Limited	31 December 2015	<b>206,550</b>
David Malcolm Justice Centre <sup>2</sup>	Savills Valuation Pty Ltd	31 December 2015	<b>201,450</b>
			<b>8,355,046</b>

1 The carrying value based on 100.0% interest in Ocean Financial Centre, excluding rental support top-up payment, is \$2,627,332,000 (2015: \$2,593,027,000).

2 Formerly known as Old Treasury Building.

The investment properties comprise commercial properties that are mainly leased to third party tenants. Generally, these leases contain an initial non-cancellable period of between 2 and 25 years. Subsequent renewals are negotiated with individual lessees.

The accompanying notes form an integral part of these financial statements.

# Statements of Movements in Unitholders' Funds

For the financial year ended 31 December 2016

Group	Attributable to Unitholders								
	Units in issue \$'000	Foreign currency translation reserve \$'000	Hedging reserve \$'000	Accumulated profits \$'000	Discount on acquisition of non-controlling interest \$'000	Unitholders' funds \$'000	Perpetual securities \$'000	Non-controlling interest \$'000	Total \$'000
<b>At 1 January 2016</b>	<b>3,394,832</b>	<b>(199,445)</b>	<b>17,429</b>	<b>1,409,983</b>	<b>3,222</b>	<b>4,626,021</b>	<b>149,719</b>	<b>2,108</b>	<b>4,777,848</b>
<b>Operations</b>									
Total return attributable to Unitholders and non-controlling interest	-	-	-	250,191	-	250,191	-	106	250,297
Net increase in net assets resulting from operations	-	-	-	250,191	-	250,191	-	106	250,297
<b>Unitholders' transactions</b>									
Creation of Units									
- payment of management fees in Units	43,848	-	-	-	-	43,848	-	-	43,848
- Distribution Reinvestment Plan	30,875	-	-	(30,875)	-	-	-	-	-
Distribution to Unitholders	(12,998)	-	-	(169,565)	-	(182,563)	-	-	(182,563)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	61,725	-	-	(200,440)	-	(138,715)	-	-	(138,715)
<b>Perpetual securities</b>									
Issue expenses	-	-	-	-	-	-	(18)	-	(18)
Total return attributable to perpetual securities holders	-	-	-	-	-	-	7,490	-	7,490
Distribution to perpetual securities holders	-	-	-	-	-	-	(7,490)	-	(7,490)
Net decrease in net assets resulting from perpetual securities holders' transactions	-	-	-	-	-	-	(18)	-	(18)
Net movement in foreign currency translation reserve	-	32,143	-	-	-	32,143	-	-	32,143
Net change in fair value of cash flow hedges	-	-	(16,724)	-	-	(16,724)	-	(3)	(16,727)
Share of net change in fair value of cash flow hedges of associates	-	-	(6,199)	-	-	(6,199)	-	-	(6,199)
Distribution of partnership profits to non-controlling interest	-	-	-	-	-	-	-	(71)	(71)
<b>At 31 December 2016</b>	<b>3,456,557</b>	<b>(167,302)</b>	<b>(5,494)</b>	<b>1,459,734</b>	<b>3,222</b>	<b>4,746,717</b>	<b>149,701</b>	<b>2,140</b>	<b>4,898,558</b>

The accompanying notes form an integral part of these financial statements.

## Statements of Movements in Unitholders' Funds

Group	Attributable to Unitholders								
	Units in issue \$'000	Foreign currency translation reserve \$'000	Hedging reserve \$'000	Accumulated profits \$'000	Discount on acquisition of non-controlling interest \$'000	Unitholders' funds \$'000	Perpetual securities \$'000	Non-controlling interest \$'000	Total \$'000
<b>At 1 January 2015</b>	3,354,095	(123,164)	(11,135)	1,234,402	3,222	4,457,420	–	2,052	4,459,472
<b>Operations</b>									
Total return attributable to Unitholders and non-controlling interest	–	–	–	337,495	–	337,495	–	125	337,620
Net increase in net assets resulting from operations	–	–	–	337,495	–	337,495	–	125	337,620
<b>Unitholders' transactions</b>									
Creation of Units									
- payment of management fees in Units	44,939	–	–	–	–	44,939	–	–	44,939
- Distribution Reinvestment Plan	5,221	–	–	(5,221)	–	–	–	–	–
Issue expense adjustments	142	–	–	–	–	142	–	–	142
Distribution to Unitholders	(9,565)	–	–	(156,693)	–	(166,258)	–	–	(166,258)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	40,737	–	–	(161,914)	–	(121,177)	–	–	(121,177)
<b>Perpetual securities</b>									
Issue of perpetual securities	–	–	–	–	–	–	150,000	–	150,000
Issue expenses	–	–	–	–	–	–	(1,509)	–	(1,509)
Total return attributable to perpetual securities holders	–	–	–	–	–	–	1,228	–	1,228
Net increase in net assets resulting from perpetual securities holders' transactions	–	–	–	–	–	–	149,719	–	149,719
Net movement in foreign currency translation reserve	–	(76,281)	–	–	–	(76,281)	–	–	(76,281)
Net change in fair value of cash flow hedges	–	–	27,038	–	–	27,038	–	4	27,042
Share of net change in fair value of cash flow hedges of associates	–	–	1,526	–	–	1,526	–	–	1,526
Distribution of partnership profits to non-controlling interest	–	–	–	–	–	–	–	(73)	(73)
<b>At 31 December 2015</b>	<b>3,394,832</b>	<b>(199,445)</b>	<b>17,429</b>	<b>1,409,983</b>	<b>3,222</b>	<b>4,626,021</b>	<b>149,719</b>	<b>2,108</b>	<b>4,777,848</b>

The accompanying notes form an integral part of these financial statements.



Trust	Attributable to Unitholders			Perpetual securities \$'000	Total \$'000
	Units in issue \$'000	Hedging reserve \$'000	Accumulated profits \$'000		
<b>At 1 January 2016</b>	<b>3,394,832</b>	<b>9,594</b>	<b>375,859</b>	<b>149,719</b>	<b>3,930,004</b>
<b>Operations</b>					
Total return attributable to Unitholders	–	–	<b>181,852</b>	–	<b>181,852</b>
Net increase in net assets resulting from operations	–	–	<b>181,852</b>	–	<b>181,852</b>
<b>Unitholders' transactions</b>					
Creation of Units					
- payment of management fees in Units	<b>43,848</b>	–	–	–	<b>43,848</b>
- Distribution Reinvestment Plan	<b>30,875</b>	–	<b>(30,875)</b>	–	–
Distribution to Unitholders	<b>(12,998)</b>	–	<b>(169,565)</b>	–	<b>(182,563)</b>
Net increase/(decrease) in net assets resulting from Unitholders' transactions	<b>61,725</b>	–	<b>(200,440)</b>	–	<b>(138,715)</b>
<b>Perpetual securities</b>					
Issue expenses	–	–	–	<b>(18)</b>	<b>(18)</b>
Total return attributable to perpetual securities holders	–	–	–	<b>7,490</b>	<b>7,490</b>
Distribution to perpetual securities holders	–	–	–	<b>(7,490)</b>	<b>(7,490)</b>
Net decrease in net assets resulting from perpetual securities holders' transactions	–	–	–	<b>(18)</b>	<b>(18)</b>
Net change in fair value of cash flow hedges	–	<b>(9,726)</b>	–	–	<b>(9,726)</b>
<b>At 31 December 2016</b>	<b>3,456,557</b>	<b>(132)</b>	<b>357,271</b>	<b>149,701</b>	<b>3,963,397</b>
<b>At 1 January 2015</b>	3,354,095	(9,528)	445,472	–	3,790,039
<b>Operations</b>					
Total return attributable to Unitholders	–	–	92,301	–	92,301
Net increase in net assets resulting from operations	–	–	92,301	–	92,301
<b>Unitholders' transactions</b>					
Creation of Units					
- payment of management fees in Units	44,939	–	–	–	44,939
- Distribution Reinvestment Plan	5,221	–	(5,221)	–	–
Issue expense adjustments	142	–	–	–	142
Distribution to Unitholders	(9,565)	–	(156,693)	–	(166,258)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	40,737	–	(161,914)	–	(121,177)
<b>Perpetual securities</b>					
Issue of perpetual securities	–	–	–	150,000	150,000
Issue expenses	–	–	–	(1,509)	(1,509)
Total return attributable to perpetual securities holders	–	–	–	1,228	1,228
Net increase in net assets resulting from perpetual securities holders' transactions	–	–	–	149,719	149,719
Net change in fair value of cash flow hedges	–	19,122	–	–	19,122
<b>At 31 December 2015</b>	<b>3,394,832</b>	<b>9,594</b>	<b>375,859</b>	<b>149,719</b>	<b>3,930,004</b>

The accompanying notes form an integral part of these financial statements.

# Statement of Cash Flows

For the financial year ended 31 December 2016

	Group	
	2016 \$'000	2015 \$'000
<b>Operating activities</b>		
Total return before tax	279,093	366,814
Adjustments for:		
Interest income	(27,459)	(36,940)
Amortisation expense	15,312	18,763
Share of results of associates	(83,460)	(75,695)
Share of results of joint ventures	(30,789)	(17,163)
Borrowing costs	64,049	67,313
Management fees paid and payable in Units	50,515	49,984
Gain on divestment of investment property	(28,299)	–
Net change in fair value of derivative financial instruments	(9,018)	(3,879)
Net change in fair value of investment properties	(91,171)	(218,038)
Depreciation	44	46
Rental support	(16,746)	(20,480)
Unrealised translation differences	809	431
<b>Operating cash flows before changes in working capital</b>	<b>122,880</b>	<b>131,156</b>
Decrease/(increase) in receivables	4,619	(3,071)
Decrease in payables	(6,073)	(4,777)
Increase in security deposits	807	2,310
<b>Cash flows from operations</b>	<b>122,233</b>	<b>125,618</b>
Income taxes paid	(14,054)	(11,337)
<b>Net cash flows provided by operating activities</b>	<b>108,179</b>	<b>114,281</b>
<b>Investing activities</b>		
Purchase of investment property	–	(9,680)
Subsequent expenditure on investment properties	(2,212)	(2,424)
Purchase of fixed assets	(35)	(102)
Proceeds from divestment of investment property, net of divestment costs	157,233	–
Interest received	27,085	37,915
Rental support received	20,331	27,750
Dividend and distribution income received from associates	86,453	75,762
Distribution income received from joint ventures	23,173	14,258
Investment in a joint venture	–	(5,959)
Advance to a joint venture	–	(6,075)
(Advance to)/repayment of advance from an associate	(2,000)	4,300
Reimbursement of development costs for interest in an associate	–	4,837
<b>Net cash flows provided by investing activities</b>	<b>310,028</b>	<b>140,582</b>
<b>Financing activities</b>		
Loans drawdown	640,450	461,774
Repayment of loans	(656,744)	(683,883)
Proceeds from issuance of medium term notes	–	50,000
Proceeds from issuance of perpetual securities	–	150,000
Payment of financing expenses/upfront debt arrangement costs	(2,157)	(2,784)
Distribution of partnership profits to non-controlling interest	(71)	(66)
Distribution to Unitholders (net of distribution in Units)	(182,563)	(203,862)
Distribution to perpetual securities holders	(7,490)	–
Interest paid	(60,737)	(62,041)
Issue expenses	(18)	(1,509)
<b>Net cash flows used in financing activities</b>	<b>(269,330)</b>	<b>(292,371)</b>

The accompanying notes form an integral part of these financial statements.

	Group	
	2016 \$'000	2015 \$'000
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>148,877</b>	(37,508)
Cash and cash equivalents at beginning of the year	<b>98,764</b>	137,818
Effect of exchange rate changes on cash and cash equivalents	<b>5,578</b>	(1,546)
<b>Cash and cash equivalents at end of the year (Note 11)</b>	<b>253,219</b>	98,764
<b>Cash and bank balances</b>	<b>278,682</b>	144,601
Less: Rental support received in advance held in designated accounts (Note A)	<b>(25,463)</b>	(45,837)
<b>Cash and cash equivalents per Statement of Cash Flows</b>	<b>253,219</b>	98,764

Note A – Rental support received in advance held in designated accounts

This relates to the rental support top-up payments received in advance by the Group held in designated accounts for the one-third interest in Central Boulevard Development Pte. Ltd. ("CBDPL") and 12.39% interest in Ocean Properties LLP ("OPLLP") (2015: one-third interest in CBDPL, 12.39% interest in OPLLP and the office tower at 77 King Street).

Note B – Significant non-cash transactions

The following were the significant non-cash transactions:

- (i) 43,763,613 (2015: 40,679,411) Units were issued as payment of management fees to the Manager, amounting to \$43,848,000 (2015: \$44,939,000); and
- (ii) 31,728,090 (2015: 5,011,176) Units were issued under the Distribution Reinvestment Plan, amounting to \$30,875,000 (2015: \$5,221,000).

# Notes to the Financial Statements

For the financial year ended 31 December 2016

## These notes form an integral part of the financial statements.

The financial statements of Keppel REIT (the "Trust") and its subsidiaries (the "Group") for the financial year ended 31 December 2016 were authorised for issue by the Manager on 17 February 2017.

### 1. General

Keppel REIT is a Singapore-domiciled real estate investment trust constituted by the Trust Deed dated 28 November 2005 (as amended) (the "Trust Deed") between Keppel REIT Management Limited (the "Manager") and RBC Investor Services Trust Singapore Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries in trust for the holders ("Unitholders") of units in the Trust (the "Units"). The address of the Trustee's registered office and principal place of business is 77 Robinson Road, #18-00 Robinson 77, Singapore 068896.

The Trust was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 28 April 2006 and was included in the Central Provident Fund Investment Scheme on 28 April 2006. The principal activity of the Trust is to invest in a portfolio of quality real estate and real estate-related assets which are predominantly used for commercial purposes in Singapore and Asia with the primary objective of generating stable returns to its Unitholders and achieving long-term capital growth. The principal activities of its subsidiaries, associates and joint ventures are set out in Notes 4, 5 and 6 respectively.

The Trust has entered into several service agreements in relation to the management of the Trust and its property operations. The fee structures of these services are as follows:

#### (a) Property management fees

Under the property management agreement, for property management services rendered by Keppel REIT Property Management Pte Ltd (the "Property Manager"), the Trustee will pay the Property Manager property management fees of 3.0% per annum of the property income of each of the investment properties.

The Property Manager is also entitled to receive leasing commission at the rates set out as follows:

- (i) one month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a tenancy or licence of two years or more;
- (ii) one-half month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a tenancy or licence of less than two years but at least a year and a proportionate part thereof; and
- (iii) one-quarter month's Gross Rent (base rental income and tenant service charge) or licence fee, as applicable, for securing a renewal of tenancy or licence of a year or more and a proportionate part thereof for securing a renewal of a tenancy or licence of less than a year.

The property management fees are payable monthly in arrears.

#### (b) Manager's management fees

Pursuant to the Trust Deed, the Manager is entitled to the following management fees:

- (i) a base fee of 0.5% per annum of the value of all the assets for the time being of the Trust or deemed to be held upon the Trust constituted under the Trust Deed ("Deposited Property"); and
- (ii) an annual performance fee of 3.0% per annum of the Net Property Income (as defined in the Trust Deed) of the Trust and any Special Purpose Vehicles (as defined in the Trust Deed) after deducting all applicable taxes payable.

The management fees will be paid in the form of cash and/or Units (as the Manager may elect). The management fees payable in Units will be issued at the volume weighted average price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days (as defined in the Trust Deed) immediately preceding the relevant Business Day.

The base fee component of the Manager's management fees is payable quarterly in arrears. With effect from 1 January 2016, under the Property Funds Appendix of the Code on Collective Investment Schemes ("CIS Code"), crystallisation of the performance fee has been revised to be no more frequent than once a year. Accordingly, the performance fee component of the Manager's management fees will be paid on an annual basis in arrears, subsequent to the applicable financial year.

The Manager is also entitled to receive an acquisition fee at the rate of 1.0% of acquisition price and a divestment fee of 0.5% of sale price on all acquisitions or disposals of properties respectively.

#### (c) Trustee's fees

Under the Trust Deed, the maximum fee payable to the Trustee is 0.03% per annum of the value of the Deposited Property and shall be payable quarterly in arrears.

## 2. Summary of significant accounting policies

### (a) Basis of preparation

The financial statements of the Group have been prepared in accordance with the recommendations of Statement of Recommended Accounting Practice 7 (Revised 2012) "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants. The financial statements have also been prepared in accordance with the applicable requirements of the CIS Code issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. RAP 7 requires the accounting policies to generally comply with the principles relating to recognition and measurement under the Singapore Financial Reporting Standards ("FRS").

The financial statements, which are expressed in Singapore dollar ("SGD" or "\$") and rounded to the nearest thousand (\$'000), unless otherwise stated, are prepared on the historical cost basis, except as disclosed in the accounting policies below.

### (b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Trust.

### (c) Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to FRS 7	Statement of cash flows	1 January 2017
Amendments to FRS 112	Clarification on scope of Disclosure of Interests in Other Entities	1 January 2017
Amendments to FRS 40	Transfers of Investment Property	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 116	Leases	1 January 2019

The Manager is presently assessing the impact of these standards on the financial statements and plans to adopt the new standards on the required effective date.

### (d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Trust and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date and use accounting policies consistent with the Trust.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in the Statement of Total Return;
- re-classifies the Group's share of components previously recognised in other comprehensive income to the Statement of Total Return or retained earnings, as appropriate.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (e) Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to Unitholders of the Trust, and is presented separately in the Statement of Total Return and within equity in the consolidated Balance Sheet, separately from equity attributable to the Unitholders of the Trust.

Changes in the Trust's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to Unitholders of the Trust.

#### (f) Functional and foreign currency

##### (i) Functional currency

The Manager has determined the currency of the primary economic environment in which the Trust operates, i.e. functional currency, to be Singapore dollar. The financial statements are presented in Singapore dollar.

##### (ii) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Trust and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the Statement of Total Return except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised under foreign currency translation reserve in Unitholders' funds. The foreign currency translation reserve is reclassified from Unitholders' funds to the Statement of Total Return on disposal of the foreign operation.

##### (iii) Consolidated financial statements

For consolidation purposes, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their total returns are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised under foreign currency translation reserve in Unitholders' funds. On disposal of a foreign operation, the foreign currency translation reserve relating to that particular foreign operation is recognised in the Statement of Total Return.

#### (g) Investment properties

Investment properties are properties that are owned by the Group in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recorded at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of Total Return in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the Statement of Total Return in the year of retirement or disposal.

**(h) Fixed assets**

Fixed assets are initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

All fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Computer	3 years
Machinery and equipment	5 years

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in total return in the year the asset is derecognised.

**(i) Subsidiaries**

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Trust's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

**(j) Joint arrangements**

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2(k).

**(k) Joint ventures and associates**

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates and joint ventures using the equity method from the date on which the investment becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's or joint venture's total return in the period in which the investment is acquired.

Under the equity method, the investments in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The total return reflects the share of results of the operations of the associates or joint ventures. Distributions or dividends received from joint ventures or associates reduce the carrying amounts of the investments. Where there has been a change recognised in other comprehensive income by the associates or joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associates or joint ventures are eliminated to the extent of the interest in the associates or joint ventures.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (k) Joint ventures and associates (continued)

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal and constructive obligations to make or has made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in associates or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in total return.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Trust. Property held for sale is stated at the lower of cost and net realisable value. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group, and adjustments are made for the effects of significant transactions or events that occur between that date and the reporting date of the Trust.

#### (l) Intangible asset

Intangible asset, which relates to rental support top-up payments, is measured initially at cost, being the fair value as at the date of acquisition. Following initial recognition, intangible asset is measured at cost less any accumulated amortisation and any impairment losses.

Intangible asset with a finite useful life is amortised over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible asset with finite useful life is recognised in total return.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in total return when the asset is derecognised.

#### (m) Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in total return, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised previously. Such reversal is recognised in total return.

#### (n) Financial instruments

##### Financial assets

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets through profit or loss are recognised immediately as expenses.



The subsequent measurement of financial assets depends on their classification as follows:

#### **Loans and receivables**

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Gains and losses are recognised in total return when the loans and receivables are derecognised or impaired, and through the amortisation process.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in total return.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

#### **Financial liabilities**

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in total return when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in total return.

#### **(o) Impairment of financial assets**

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in total return.

When the cash flow becomes uncollectible, the carrying amount of an impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account is written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in total return.

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (p) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and demand deposits, and exclude amounts which are restricted for use.

#### (q) Unit capital, perpetual securities and issue expenses

Proceeds from issuance of Units are recognised as units in issue in Unitholders' funds and incidental costs directly attributable to the issuance are deducted against Unitholders' funds.

Proceeds from issuance of perpetual securities are recognised in equity and incidental costs directly attributable to the issuance of perpetual securities are deducted against the proceeds from the issue.

#### (r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### (s) Leases – as lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. The accounting policy for rental income is set out in Note 2(t)(i). Contingent rents are recognised as revenue in the period in which they are earned.

#### (t) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

##### (i) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

##### (ii) Interest income

Interest income is recognised using the effective interest method.

##### (iii) Rental support, dividend income and distribution income

Rental support, dividend income and distribution income are recognised when the Group's right to receive payment is established.

#### (u) Expenses

##### (i) Trust expenses

Trust expenses are recognised on an accrual basis.

##### (ii) Property expenses

Property expenses are recognised on an accrual basis. Included in property expenses are property management fees which are based on the applicable formula stipulated in Note 1(a).

##### (iii) Manager's management fees

Manager's management fees are recognised on an accrual basis based on the applicable formula stipulated in Note 1(b).

##### (iv) Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds, and are recognised in the period they occur.

(v) **Taxation**

(i) **Current income tax**

Current income tax is the expected tax payable on the taxable income for the year, using tax rates and tax laws enacted or substantively enacted at the reporting date.

Current income tax is recognised as an expense or income in total return, except when it relates to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination.

(ii) **Deferred tax**

Deferred tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which those assets and liabilities are expected to be realised or settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is measured based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Deferred tax is recognised as an expense or income in total return, except when it relates to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination.

(iii) **Tax transparency**

Pursuant to the Tax Transparency Ruling issued by the Inland Revenue Authority of Singapore ("IRAS"), tax transparency treatment has been granted to the Trust in respect of certain taxable income ("Specified Taxable Income"). Subject to meeting the terms and conditions of the tax ruling which include a distribution of at least 90% of the taxable income of the Trust, the Trust will not be assessed for tax on the portion of its taxable income that is distributed to Unitholders. Any portion of the Trust's taxable income that is not distributed to Unitholders will be taxed at the prevailing corporate tax rate.

In the event that there are subsequent adjustments to the taxable income when the actual taxable income of the Trust is finally agreed with the IRAS, such adjustments are taken up as adjustments to the amount to be distributed for the next distribution following the agreement with the IRAS.

Subject to the terms and conditions of the Tax Transparency Ruling, the Trust will not be taxed on Specified Taxable Income distributed to the Unitholders in the year in which the income was derived. Instead, the Trust will undertake to deduct income tax at the prevailing corporate tax rate on the distributions made to the Unitholders out of such Specified Taxable Income except:

- a) where the beneficial owner is a Qualifying Unitholder (as defined herein), distributions will be made to such Unitholder without deducting any income tax; and
- b) where the beneficial owner is a Qualifying Foreign Non-Individual Unitholder (as defined herein), income tax will be deducted at a reduced rate of 10% from the distributions made up to 31 March 2020, unless otherwise extended.

A Qualifying Unitholder is a Unitholder who is:

- a) an individual; or
- b) a company incorporated and tax resident in Singapore;
- c) a Singapore branch of a company incorporated outside Singapore;

## Notes to the Financial Statements

### 2. Summary of significant accounting policies (continued)

#### (v) Taxation (continued)

##### (iii) Tax transparency (continued)

- d) a non-corporate entity (excluding partnerships) constituted or registered in Singapore including:
- institutions, authorities, persons or funds specified in the First Schedule to the Income Tax Act, Chapter 134 of Singapore;
  - co-operative societies registered under the Co-operative Societies Act, Chapter 62 of Singapore;
  - trade unions registered under the Trade Unions Act, Chapter 333 of Singapore;
  - charities registered under the Charities Act, Chapter 37 of Singapore or established by an Act of Parliament; and
  - town councils; or
- e) an international organisation that is exempt from tax on such distributions by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap. 145).

A Qualifying Foreign Non-Individual Unitholder is a person other than an individual not resident in Singapore for Singapore income tax purposes and:

- a) who does not have a permanent establishment in Singapore; or
- b) who carries on an operation in Singapore through a permanent establishment in Singapore, where the funds used by that person to acquire the units are not obtained from that operation.

The above tax transparency ruling does not apply to gains from sale of real properties. Such gains, if they are considered as trading gains, are assessable to tax on the Trust. Where the gains are capital gains, the Trust will not be assessed to tax and may distribute the capital gains to Unitholders without having to deduct tax at source.

Any distributions made by the Trust to the Unitholders out of tax-exempt income and taxed income would be exempt from Singapore income tax in the hands of all Unitholders, regardless of their corporate or residence status.

#### (iv) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables on the Balance Sheets.

#### (w) Portfolio reporting

For management purposes, the Group is organised into operating segments based on individual investment property within the Group's portfolio, and prepares financial information on a property by property basis. The properties are independently managed by property managers who are responsible for the performance of the property under their charge. Discrete financial information is provided to the Board on a property by property basis. The Board regularly reviews this information in order to allocate resources to each property and to assess the property's performance.

#### (x) Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when fair value is negative.

Gains or losses arising from the changes in fair value of derivative financial instruments that do not qualify for hedge accounting are taken to total return.

The Group applies hedge accounting for certain hedging transactions which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

#### **Cash flow hedges**

The effective portion of the gain or loss on the hedging instrument is recognised directly in hedging reserve in Unitholders' funds, while any ineffective portion is recognised immediately in total return.

Amounts recognised in hedging reserve in Unitholders' funds are transferred to total return when the hedge transaction affects total return, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in hedging reserve in Unitholders' funds is transferred to total return. If the hedging instrument has expired or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in hedging reserve in Unitholders' funds remains in Unitholders' funds until the forecast transaction or firm commitment affects total return.

The Group uses interest rate swaps to hedge its exposure to interest rate risk for bank loans with floating interest rates. Details of the interest rate swaps are disclosed in Note 13.

The Group uses forward currency contracts to hedge foreign currency risk arising from the cash flows of its investment properties in Australia. Details of the forward currency contracts are disclosed in Note 13.

#### **(y) Significant accounting judgements and estimates**

The preparation of the financial statements in conformity with RAP 7 requires the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income, expenses and disclosures made. The estimates and associated assumptions are based on historical experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an on-going basis. Financial impact arising from revisions to accounting estimates is recognised in the period in which the estimates are revised and in any future periods affected.

In particular, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

#### **Valuation of investment properties**

Investment properties are stated at fair value, with changes in fair value recognised in total return. The Group engaged independent professional valuers to determine fair value as at the financial year-end.

The fair value of investment properties held by the Group and through its associates and joint ventures is determined by independent real estate valuation experts using approved valuation methodologies. In determining the fair value, the valuers have used valuation methods which involve estimates and discount rates applicable to those assets. The Manager is satisfied that the valuation methods and estimates are reflective of current market conditions. The determined fair value of the investment properties is most sensitive to the estimated yield as well as the vacancy assumptions.

## Notes to the Financial Statements

### 3. Investment properties

	Group		Trust	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At 1 January	<b>3,691,073</b>	3,613,616	<b>550,000</b>	527,000
Translation differences	<b>16,905</b>	(45,166)	–	–
Purchase of investment property	–	9,680	–	–
Divestment of investment property	<b>(128,520)</b>	–	–	–
Capital expenditure capitalised	<b>2,212</b>	2,424	<b>706</b>	–
Net change in fair value of investment properties (Note 23)	<b>36,427</b>	110,519	<b>(10,706)</b>	23,000
At 31 December	<b>3,618,097</b>	3,691,073	<b>540,000</b>	550,000

Investment properties are stated at fair value based on valuations performed by independent valuers. In determining the fair value, the valuers have used the direct comparison method, capitalisation approach and discounted cash flows analysis which make reference to estimated market rental values and equivalent yields. The key assumptions used to determine the fair value of investment properties include, amongst others, market-corroborated capitalisation yields, discount rates and transacted prices of comparable properties. Details of valuation techniques and inputs used are disclosed in Note 29.

On 29 January 2016, the Group divested its interest in 77 King Street office tower for an aggregate consideration of approximately \$163,200,000. The Group recognised a gain on divestment of \$28,299,000.

On 12 October 2015, the Group acquired 100% interest in three retail units at 8 Exhibition Street for approximately \$9,680,000.

The Group has mortgaged certain investment properties of up to an aggregate principal amount of \$540,000,000 (2015: \$1,450,000,000) as security for credit facilities granted (Note 15).

#### 4. Investments in subsidiaries

	Trust	
	2016 \$'000	2015 \$'000
Unquoted equity, at cost	<b>1,837,110</b>	1,837,852

Name	Country of incorporation/ constitution	Principal activities	Effective equity interest	
			2016 %	2015 %
<b>Held by the Trust</b>				
Keppel REIT MTN Pte. Ltd. <sup>1</sup>	Singapore	Provision of treasury services	<b>100.00</b>	100.00
Keppel REIT (Australia) Pte. Ltd. <sup>1</sup>	Singapore	Investment holding	<b>100.00</b>	100.00
Keppel REIT Fin. Company Pte. Ltd. <sup>1</sup>	Singapore	Provision of treasury services	<b>100.00</b>	100.00
Ocean Properties LLP ("OPLLP") <sup>1,4</sup>	Singapore	Property investment	<b>~99.90<sup>4</sup></b>	~99.90 <sup>4</sup>
<b>Held through Keppel REIT (Australia) Pte. Ltd.</b>				
Keppel REIT (S) Limited <sup>2</sup>	Bermuda	Investment holding	<b>100.00</b>	100.00
Keppel REIT (Australia) Trust <sup>3</sup>	Australia	Property investment	<b>100.00</b>	100.00
Keppel REIT (Australia) Sub-Trust 1 <sup>3</sup>	Australia	Property investment	<b>100.00</b>	100.00
Keppel REIT (Australia) Sub-Trust 2 <sup>3</sup>	Australia	Investment holding	<b>100.00</b>	100.00
Keppel REIT (Australia) Sub-Trust 3 <sup>3</sup>	Australia	Investment holding	<b>100.00</b>	100.00
Keppel REIT (Australia) Sub-Trust 4 <sup>3</sup>	Australia	Property investment	<b>100.00</b>	100.00
Keppel REIT (Australia) Sub-Trust 5 <sup>3</sup>	Australia	Property investment	<b>100.00</b>	–

1 Audited by PricewaterhouseCoopers LLP, Singapore.

2 There is no statutory requirement for the financial statements of Keppel REIT (S) Limited (formerly known as Keppel REIT (Bermuda) Limited) to be audited.

3 Audited by PricewaterhouseCoopers, Australia.

4 OPLLP owns Ocean Financial Centre. For the approximate 87.51% equity interest in OPLLP which the Trust acquired on 14 December 2011 for a period of 99 years from Straits Property Investments Pte Ltd ("SPIPL"), the Trust granted a call option under an option deed to SPIPL for the right to acquire the approximate 87.51% equity interest in OPLLP for \$1.00 at the expiry of the 99-year period after the acquisition date. Under the option deed, the Trust shall not dispose of its legal or beneficial interest in OPLLP to any person unless SPIPL's right of first refusal has lapsed. In addition, if any of certain specified events occur anytime during the 99 years after the acquisition date, SPIPL has the right to procure OPLLP to take the necessary steps to carve out and transfer a leasehold title of the remaining tenure to a special purpose vehicle owned by SPIPL and the non-controlling interest.

On 25 June 2012, the Trust acquired an approximate 12.39% additional interest in OPLLP from a third party, Avan Investment Pte Ltd ("AIPL") for a period of 99 years from 14 December 2011. This acquisition increased the Group's interest in OPLLP from an approximate 87.51% to an approximate 99.90%. AIPL continues to hold a remaining equity interest of approximate 0.10% in OPLLP (the "non-controlling interest"). The Trust also entered into an option deed pursuant to which AIPL shall have the right to acquire the approximate 12.39% interest in OPLLP for \$1.00, such option to be exercisable only after the expiry of a period of 99 years after 14 December 2011.

## Notes to the Financial Statements

### 5. Investments in associates

	Group		Trust	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Unquoted equity, at cost	<b>2,025,483</b>	2,025,483	<b>2,025,483</b>	2,025,483
Share of post-acquisition reserves	<b>499,629</b>	472,315	–	–
	<b>2,525,112</b>	2,497,798	<b>2,025,483</b>	2,025,483

The movement in share of post-acquisition reserves is as follows:

	Group	
	2016 \$'000	2015 \$'000
At 1 January		
Share of results of associates	<b>472,315</b>	398,387
- Total return excluding net change in fair value of investment properties	<b>83,460</b>	75,695
- Net change in fair value of investment properties held by associates (Note 23)	<b>34,079</b>	69,391
- Effects of recognising rental income on a straight-line basis over the lease terms	<b>2,427</b>	3,078
	<b>119,966</b>	148,164
Share of net change in fair value of cash flow hedges	<b>(6,199)</b>	1,526
Dividend and distribution income received	<b>(86,453)</b>	(75,762)
At 31 December	<b>499,629</b>	472,315

Details of the associates are as follows:

Name	Country of incorporation	Principal activities	Effective equity interest	
			2016 %	2015 %
One Raffles Quay Pte Ltd <sup>1</sup>	Singapore	Property development and investment	<b>33.33</b>	33.33
BFC Development LLP <sup>2</sup>	Singapore	Property development and investment	<b>33.33</b>	33.33
Central Boulevard Development Pte. Ltd. <sup>3</sup>	Singapore	Property development and investment	<b>33.33</b>	33.33

1 Audited by Ernst & Young LLP, Singapore.  
One Raffles Quay Pte Ltd ("ORQPL") is the owner of One Raffles Quay.

2 Audited by Ernst & Young LLP, Singapore.  
BFC Development LLP ("BFCDLLP") is the owner of Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall.

3 Audited by Ernst & Young LLP, Singapore.  
CBDPL is the owner of Marina Bay Financial Centre Tower 3.

The Group does not equity account for the results of Marina Bay Residences Pte. Ltd. ("MBRPL") (dissolved in February 2015) and Marina Bay Suites Pte. Ltd. ("MBSPL"), which are wholly-owned subsidiaries of BFCDLLP and CBDPL respectively, as the acquisitions of the respective one-third interests in BFCDLLP and CBDPL were structured to effectively exclude any interests in MBRPL and MBSPL respectively.

Deeds of undertaking were signed between Bayfront Development Pte. Ltd. (the "Vendor") and the Trust, whereby the Trust agrees not to participate in the financial and operating policy decisions in MBRPL and MBSPL and that it would exercise all voting rights and other rights and powers that it directly or indirectly has or controls in BFCDLLP, CBDPL, MBRPL and MBSPL in accordance with the written instructions of the Vendor on all matters arising from, relating to, or otherwise connected with MBRPL and MBSPL, and/or BFCDLLP's ownership of MBRPL and/or CBDPL's ownership of MBSPL.



The summarised financial information of the associates, excluding BFCDLLP's interest in MBRPL and CBDPL's interest in MBSPL, and a reconciliation with the carrying amounts of the investments in the consolidated financial statements, are as follows:

	ORQPL		BFCDLLP		CBDPL	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Summarised Balance Sheet</b>						
Current assets (including property held for sale)	<b>1,455,356</b>	1,447,990	<b>17,478</b>	14,638	<b>42,721</b>	39,493
Non-current assets	<b>1,627,305</b>	1,614,132	<b>5,048,195</b>	5,015,946	<b>3,849,040</b>	3,792,503
Total assets	<b>3,082,661</b>	3,062,122	<b>5,065,673</b>	5,030,584	<b>3,891,761</b>	3,831,996
Current liabilities	<b>(43,299)</b>	(42,688)	<b>(36,600)</b>	(38,215)	<b>(33,039)</b>	(26,605)
Non-current liabilities	<b>(1,076,512)</b>	(1,064,219)	<b>(1,735,115)</b>	(1,731,820)	<b>(1,649,204)</b>	(1,636,772)
Total liabilities	<b>(1,119,811)</b>	(1,106,907)	<b>(1,771,715)</b>	(1,770,035)	<b>(1,682,243)</b>	(1,663,377)
<b>Net assets</b>	<b>1,962,850</b>	1,955,215	<b>3,293,958</b>	3,260,549	<b>2,209,518</b>	2,168,619
Proportion of the Group's ownership	<b>33.33%</b>	33.33%	<b>33.33%</b>	33.33%	<b>33.33%</b>	33.33%
Group's share of net assets	<b>654,283</b>	651,738	<b>1,097,986</b>	1,086,850	<b>736,506</b>	722,873
Other adjustments	<b>13,734</b>	13,734	<b>7,000</b>	7,000	<b>15,603</b>	15,603
<b>Carrying amount of the investment</b>	<b>668,017</b>	665,472	<b>1,104,986</b>	1,093,850	<b>752,109</b>	738,476
<b>Summarised Statement of Comprehensive Income</b>						
Property income	<b>162,344</b>	159,992	<b>227,443</b>	215,821	<b>143,958</b>	139,482
Total return for the year	<b>94,934</b>	81,217	<b>146,152</b>	217,184	<b>118,813</b>	146,090
Other comprehensive income	<b>(5,892)</b>	3,357	<b>-</b>	-	<b>(12,705)</b>	1,221
Total comprehensive income	<b>89,042</b>	84,574	<b>146,152</b>	217,184	<b>106,108</b>	147,311

## Notes to the Financial Statements

### 6. Investments in joint ventures

	Group	
	2016 \$'000	2015 \$'000
Unquoted equity, at cost	353,477	339,947
Share of post-acquisition reserves	96,807	68,165
	<b>450,284</b>	<b>408,112</b>

The movement in share of post-acquisition reserves is as follows:

	Group	
	2016 \$'000	2015 \$'000
At 1 January	68,165	30,964
Share of results of joint ventures		
- Total return excluding net change in fair value of investment properties	30,789	17,163
- Net change in fair value of investment properties held by joint ventures (Note 23)	30,750	38,035
- Effects of recognising rental income on a straight-line basis over the lease terms	(12,018)	-
	49,521	55,198
Translation differences	3,283	(2,731)
Distribution received/receivable	(24,162)	(15,266)
At 31 December	<b>96,807</b>	<b>68,165</b>

Details of the joint ventures are as follows:

Name	Country of Incorporation	Principal activities	Effective equity interest	
			2016 %	2015 %
<b>Held through Keppel REIT (S) Limited</b>				
Mirvac 8 Chifley Pty Limited <sup>1</sup>	Australia	Fund administration	50.00	50.00
Mirvac (Old Treasury) Pty Limited <sup>1</sup>	Australia	Fund administration	50.00	50.00
<b>Held through Keppel REIT (Australia) Sub-Trust 2</b>				
Mirvac 8 Chifley Trust ("M8CT") <sup>2</sup>	Australia	Investment in real estate properties	50.00	50.00
<b>Held through Keppel REIT (Australia) Sub-Trust 3</b>				
Mirvac (Old Treasury) Trust ("MOTT") <sup>2</sup>	Australia	Investment in real estate properties	50.00	50.00

<sup>1</sup> There is no statutory requirement for the financial statements to be audited.

<sup>2</sup> Audited by PricewaterhouseCoopers, Australia.

The summarised financial information of the joint ventures and a reconciliation with the carrying amounts of the investments in the consolidated financial statements, are as follows:

	M8CT		MOTT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Summarised Balance Sheet</b>				
Cash and bank balances	1,036	2,163	5,031	48,339
Current assets	3,065	1,880	3,540	3,620
Non-current assets	464,635	412,999	433,844	349,616
Total assets	468,736	417,042	442,415	401,575
Current liabilities	(3,803)	(3,601)	(9,805)	(1,325)
Total liabilities	(3,803)	(3,601)	(9,805)	(1,325)
<b>Net assets</b>	464,933	413,441	432,610	400,250
Proportion of the Group's ownership	50%	50%	50%	50%
Group's share of net assets	232,467	206,721	216,305	200,125
Other adjustments	(6,562)	(6,694)	8,074	7,960
<b>Carrying amount of the investment</b>	225,905	200,027	224,379	208,085
<b>Summarised Statement of Total Return</b>				
Property income	32,142	31,610	40,208	3,551
Interest income	3	4	75	-
Total return for the year	58,772	62,331	40,269	48,064

## Notes to the Financial Statements

### 7. Amounts owing by subsidiaries (non-trade)

	Trust	
	2016 \$'000	2015 \$'000
Interest bearing	525,505	413,438
Non-interest bearing	327,145	405,398
	<b>852,650</b>	<b>818,836</b>

The amounts owing by subsidiaries are unsecured, to be settled in cash and not expected to be repaid within the next 12 months. The interest bearing portions bear interest ranging from 7.0% to 9.5% (2015: 7.0% to 9.5%) per annum.

The amounts owing by subsidiaries as at 31 December 2016 and 31 December 2015 are denominated in Australian dollar.

The non-interest bearing amounts owing by subsidiaries are considered part of the Trust's net investment in these subsidiaries and are accordingly accounted for in accordance with Note 2(i).

### 8. Advances to associates

Advances to associates are unsecured, not expected to be repaid within the next 12 months and carry interest which is repriced every quarter at a margin above the 3-month S\$ swap-offer rate ("SOR"). They bore interest ranging from 2.86% to 5.18% (2015: 4.04% to 4.97%) per annum during the year.

The advances to associates are denominated in Singapore dollar.

### 9. Intangible asset

	Group		Trust	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cost:				
At 1 January	199,420	229,207	46,622	76,049
Write-off	(133,327)	(29,427)	–	(29,427)
Translation differences	–	(360)	–	–
At 31 December	<b>66,093</b>	199,420	<b>46,622</b>	46,622
Accumulated amortisation:				
At 1 January	161,597	172,600	14,022	29,426
Amortisation expense	15,312	18,763	12,129	14,023
Write-off	(133,327)	(29,427)	–	(29,427)
Translation differences	–	(339)	–	–
At 31 December	<b>43,582</b>	161,597	<b>26,151</b>	14,022
Net carrying amount:				
At 31 December	<b>22,511</b>	37,823	<b>20,471</b>	32,600

Intangible asset represents the unamortised aggregate rental support top-up payments receivable by the Group for its one-third interest in CBDPL and the approximate 12.39% interest in OPLLP (2015: one-third interest in CBDPL and the approximate 12.39% interest in OPLLP). The remaining rental support periods range from 1 to 3 years (2015: 1 to 4 years).

## 10. Trade and other receivables

	Group		Trust	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade receivables	6,916	12,167	651	896
Allowance for doubtful debts	–	(40)	–	–
Trade receivables (net)	6,916	12,127	651	896
Amounts due from subsidiaries (non-trade)	–	–	5,963	21,752
Amounts due from related companies (trade)	–	3,700	–	3,700
Amounts due from joint ventures (non-trade)	2,065	996	–	–
Interest receivable	614	240	84	234
Rental support receivable	1,023	908	1,023	908
Others	44	86	–	12
	10,662	18,057	7,721	27,502

Amounts due from subsidiaries, related companies and joint ventures are unsecured, interest-free, repayable on demand and are to be settled in cash.

As at 31 December 2016, there are no trade and other receivables for both the Group and the Trust denominated in currencies other than the respective entities' functional currencies. As at 31 December 2015, trade and other receivables for both the Group and the Trust, denominated in currencies other than the respective entities' functional currencies, amounted to \$14,954,000. These balances were denominated in Australian dollar.

### Receivables that are past due but not impaired

	Group		Trust	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade receivables past due but not impaired:				
Past due < 3 months	2,268	6,525	–	241
Past due 3 - 6 months	70	93	–	–
Past due > 6 months	105	–	–	–
	2,443	6,618	–	241

### Analysis of allowance for doubtful debts

	Group		Trust	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At 1 January	(40)	(77)	–	–
Charge for the year	(2)	(16)	–	–
Write-off against allowance	42	47	–	–
Translation differences	–	6	–	–
At 31 December	–	(40)	–	–

## Notes to the Financial Statements

### 11. Cash and bank balances

	Group		Trust	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash and bank balances	83,270	99,271	68,796	88,671
Fixed deposits	195,412	45,330	73,152	37,830
	<b>278,682</b>	144,601	<b>141,948</b>	126,501
Less: Rental support received in advance held in designated accounts	(25,463)	(45,837)	(25,463)	(45,483)
Cash and cash equivalents	<b>253,219</b>	98,764	<b>116,485</b>	81,018

Cash at banks earned interest at floating rates based on daily bank deposit rates ranging from 0% to 2.25% (2015: 0% to 2.75%) per annum. Short-term deposits were made for varying periods of between 25 days and 182 days (2015: 21 days and 365 days) depending on the cash requirements of the Group, and earned interest at the respective short-term deposit rates. The interest rates of short-term deposits ranged from 0.15% to 2.90% (2015: 0.20% to 1.95%) per annum.

Cash and bank balances for both the Group and the Trust, denominated in currencies other than the respective entities' functional currencies, amounted to \$40,272,000 (2015: \$23,664,000). These balances are denominated in Australian dollar.

### 12. Trade and other payables

	Group		Trust	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade payables	4,373	5,933	1,779	402
Accrued expenses	10,246	11,769	3,894	4,276
Other payables	11,959	12,670	7,000	7,259
Amounts due to related companies				
- trade	20,015	13,795	19,633	12,976
- non-trade	18	35	1,588	658
Other deposits	412	1,682	44	21
Interest payable	4,805	5,324	702	693
	<b>51,828</b>	51,208	<b>34,640</b>	26,285

Other payables mainly relate to (i) estimated development costs of \$3,751,000 (2015: \$4,185,000) to complete Phase 2 of Ocean Financial Centre of which the Group's proportionate share was withheld from the purchase consideration for the approximate 99.9% equity interest in OPLLP, (ii) estimated construction costs of \$7,000,000 (2015: \$7,000,000) withheld from the purchase consideration for the acquisition of one-third interest in BFCDLLP.

Included in the trade amounts due to related companies are amounts due to the Property Manager of \$484,000 (2015: \$880,000) and the Manager of \$19,531,000 (2015: \$12,915,000).

Amounts due to related companies are unsecured, interest-free and repayable on demand. These amounts are to be settled in cash except for management fees payable to the Manager which will be settled in the form of cash and/or Units (Note 1(b)).

Included in other deposits is an amount of \$46,000 (2015: \$1,493,000) which relates to retention monies for the construction of Ocean Financial Centre.

As at 31 December 2016 and 2015, there are no trade and other payables for both the Group and the Trust denominated in currencies other than the respective entities' functional currencies.

### 13. Derivative financial instruments

		Group					
		2016 \$'000			2015 \$'000		
	Maturity	Contract/ Nominal Amount	Assets	Liabilities	Contract/ Nominal Amount	Assets	Liabilities
Forward currency contracts	2017	35,226	99	(977)	29,854	260	(56)
Interest rate swaps	2017 – 2023	2,037,000	9,727	(7,821)	1,410,461	17,542	(576)
Cross currency swap	2021	99,790	8,435	–	–	–	–
		<b>2,172,016</b>	<b>18,261</b>	<b>(8,798)</b>	1,440,315	17,802	(632)
Less: Current portion		(495,226)	(245)	1,483	(50,315)	(260)	168
Non-current portion		<b>1,676,790</b>	<b>18,016</b>	<b>(7,315)</b>	1,390,000	17,542	(464)
Percentage of derivative financial instruments to the Group's net asset value				<b>0.19%</b>			0.36%

		Trust					
		2016 \$'000			2015 \$'000		
	Maturity	Contract/ Nominal Amount	Assets	Liabilities	Contract/ Nominal Amount	Assets	Liabilities
Forward currency contracts	2017	35,226	99	(977)	29,854	260	(56)
Interest rate swaps	2017 – 2023	1,560,000	7,919	(6,591)	910,461	9,965	(576)
Cross currency swap	2021	99,790	8,435	–	–	–	–
		<b>1,695,016</b>	<b>16,453</b>	<b>(7,568)</b>	940,315	10,225	(632)
Less: Current portion		(195,226)	(99)	1,281	(50,315)	(260)	168
Non-current portion		<b>1,499,790</b>	<b>16,354</b>	<b>(6,287)</b>	890,000	9,965	(464)
Percentage of derivative financial instruments to the Trust's net asset value				<b>0.22%</b>			0.24%

#### Forward currency contracts

Forward currency contracts are used to hedge foreign currency risk arising from the cash flows of the Group's investments in Australia.

The Group designates these forward currency contracts as cash flow hedges which were assessed to be highly effective. A net unrealised loss of \$878,000 (2015: net unrealised gain of \$204,000) was included in hedging reserve in Unitholders' funds in respect of these contracts.

#### Interest rate swaps

Interest rate swaps are used to hedge interest rate risk arising from the underlying floating interest rates of the respective bank loans. Under the interest rate swaps, the Group receives floating interest equal to SOR and A\$ bank bill swap bid rate ("BBSY") at specific contracted intervals and pays fixed rates of interest ranging from 0.88% to 2.48% (2015: 0.88% to 3.10%) per annum.

The Group designates most interest rate swaps as cash flow hedges which were assessed to be highly effective. An unrealised gain of \$1,323,000 (2015: unrealised gain of \$16,966,000) was included in hedging reserve in Unitholders' funds in respect of these contracts. A fair value gain of \$583,000 (2015: fair value gain of \$3,879,000) was recognised in total return as the interest rate swap was not designated as a hedging instrument.

#### Cross currency swap

Cross currency swap is used to hedge foreign currency risk arising from cash flow payments for an Australian dollar denominated loan. Under the cross currency swap, the Group receives a fixed S\$ amount and pays a fixed A\$ amount at inception of the loan, and vice versa upon maturity of the loan. The Group receives floating interest equal to A\$ bank bill swap rate ("BBSW") at specific contract intervals and pays floating interest equal to SOR. A fair value gain of \$8,435,000 (2015: nil) was recognised in total return as the cross currency swap was not designated as a hedging instrument.

## Notes to the Financial Statements

### 14. Income received in advance

Income received in advance comprises mainly rental and incentive supports received in advance for certain of the Group's investment properties.

### 15. Borrowings

	Maturity	Group		Trust	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<u>Current:</u>					
Bank loans (unsecured)	2016	–	25,355	–	–
		–	25,355	–	–
<u>Non-current:</u>					
Bank loans (secured)	2020	–	812,584	–	347,746
Revolving loans (secured)	2020	348,201	–	348,201	–
Borrowings (secured)		348,201	812,584	348,201	347,746
Bank loans (unsecured)	2018 - 2022	2,080,312	1,601,633	159,740	159,630
Revolving loans (unsecured)	2022	3,241	–	–	–
Medium term notes (unsecured)	2022	50,000	50,000	–	–
Borrowings from subsidiaries (unsecured)		–	–	1,507,960	1,520,750
Borrowings (unsecured)		2,133,553	1,651,633	1,667,700	1,680,380
<b>Total borrowings</b>		<b>2,481,754</b>	<b>2,489,572</b>	<b>2,015,901</b>	<b>2,028,126</b>
Percentage of total borrowings to net asset value		<b>50.7%</b>	52.1%	<b>50.9%</b>	51.6%

Borrowings for both the Group and the Trust denominated in currencies other than the respective entities' functional currencies amounted to \$132,084,000 (2015: \$25,486,000). These balances are denominated in Australian dollar.

#### Bank loans (secured)

In the prior year, bank loans amounting to \$812,584,000 were secured by mortgage over certain investment properties of the Group (Note 3). The interest rates ranged from 0.79% + SOR to 0.94% + SOR per annum. The Group entered into interest rate swaps (Note 13) to hedge \$329,707,000 of the bank loans that were on floating rates. During the current year, these loans have been re-financed and \$464,838,000 of these refinanced loans have been unsecured.

#### Revolving loans (secured)

Revolving loans amounting to \$348,201,000 are secured by mortgage over certain investment properties of the Group (Note 3). The interest rate is at 0.80% + SOR per annum. The loans are repayable upon maturity. The Group has entered into interest rate swaps (Note 13) to hedge \$239,761,000 of the bank loans that are on floating interest rates.

#### Bank loans (unsecured)

Bank loans amounting to \$154,770,000 (2015: \$454,002,000) are on a fixed interest rate of 1.85% (2015: 1.85% to 2.44%) per annum and are repayable upon maturity. The Group has entered into interest rate swaps (Note 13) to hedge \$1,632,198,000 (2015: \$1,076,094,000) of the bank loans that are on floating interest rates. The remaining bank loans on floating interest rates of \$293,344,000 (2015: \$96,892,000) bear interest ranging from 0.64% + SOR to 1.02% + BBSW (2015: 0.88% + SOR to 1.22% + BBSY) per annum.

#### Revolving loans (unsecured)

Revolving loans are on floating interest rate of 0.99% + SOR per annum.



#### Medium term notes (unsecured)

On 11 February 2015, Keppel REIT MTN Pte. Ltd. issued \$50,000,000 fixed rate notes due in 2022 through the multicurrency debt issuance programme, at a fixed coupon of 3.15% per annum.

#### Borrowings from subsidiaries (unsecured)

Borrowings from subsidiaries bear interest ranging from 1.09% to 3.36% (2015: 1.70% to 4.32%) per annum and are not due for repayment within the next 12 months.

#### Unutilised available facilities

As at 31 December 2016, the Group had unutilised available facilities of \$683,239,000 (2015: \$568,500,000) to meet its future obligations.

## 16. Deferred tax liabilities

Movement in deferred tax liabilities is as follows:

	Group		Trust	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<u>Investment properties</u>				
At 1 January	25,767	5,283	–	–
Translation differences	1,265	(483)	–	–
Tax charged to Statement of Total Return	7,776	20,967	–	–
At 31 December	34,808	25,767	–	–

Deferred tax liabilities are expected to be settled after one year from the balance sheet date.

## 17. Units in issue and perpetual securities

### (a) Units in issue

	Group and Trust			
	2016		2015	
	'000	\$'000	'000	\$'000
At 1 January	3,216,124	3,394,832	3,170,434	3,354,095
Issue of Units:				
- payment of management fees in Units	43,764	43,848	40,679	44,939
- Distribution Reinvestment Plan ("DRP")	31,728	30,875	5,011	5,221
Distribution to Unitholders	–	(12,998)	–	(9,565)
Issue expense adjustments	–	–	–	142
At 31 December	3,291,616	3,456,557	3,216,124	3,394,832

During the year, the following Units were issued:

- 43,763,613 (2015: 40,679,411) Units were issued at unit prices ranging from \$0.9309 to \$1.0866 (2015: \$0.9542 to \$1.1981) as payment of management fees to the Manager; and
- 31,728,090 (2015: 5,011,176) Units were issued at unit prices ranging from \$0.8695 to \$1.0859 (2015: \$0.9767 to \$1.1001) pursuant to the DRP where Unitholders have the option to receive their distribution in Units instead of cash or a combination of Units and cash.

## Notes to the Financial Statements

### 17. Units in issue and perpetual securities (continued)

#### (a) Units in issue (continued)

Each Unit represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- receive income and other distributions attributable to the Units held;
- participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less liabilities, in accordance with their proportionate interests in the Trust. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the Trust and is not entitled to transfer to it any assets (or part thereof) or of any estate or interest in any asset (or part thereof) of the Trust; and
- attend all Unitholders' meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or Unitholders representing not less than 10% of the issued Units of the Scheme) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed.

The restrictions of a Unitholder include, *inter alia*, the following:

- a Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and
- a Unitholder has no right to request the Manager to repurchase or redeem his or her Units while the Units are listed on SGX-ST.

The Trust Deed contains provisions designed to limit the liability of a Unitholder to the amount paid or payable for any Unit, and to ensure that no Unitholder, by reason alone of being a Unitholder, will be personally liable to indemnify the Trustee or any creditor of the Group in the event that the liabilities of the Group exceed its assets, if the issue price of the Units held by that Unitholder has been fully paid.

#### (b) Perpetual securities

On 2 November 2015, the Trust issued \$150,000,000 of subordinated perpetual securities at a fixed rate of 4.98% per annum, with the first distribution rate reset falling on 2 November 2020 and subsequent resets occurring every five years thereafter. The perpetual securities have no fixed redemption date and redemption is at the option of the Trust in accordance with the terms of issue of the securities. The distribution is payable semi-annually at the discretion of the Trust and is non-cumulative.

In terms of distribution payments or in the event of winding-up of the Trust:

- These perpetual securities rank *pari passu* with the holders of preferred units (if any) and rank ahead of the Unitholders of the Trust, but junior to the claims of all other present and future creditors of the Trust.
- The Trust shall not declare or pay any distribution to the Unitholders, or make redemption, unless the Trust declares or pays any distribution to the perpetual securities holders.

These perpetual securities are classified as equity instruments and recorded in equity in the Statements of Movements in Unitholders' Funds. The \$149,701,000 (2015: \$149,719,000) presented on the Balance Sheets represent the \$150,000,000 (2015: \$150,000,000) perpetual securities issued net of issue expenses, and include the total return attributable to perpetual securities holders from the last distribution date.

## 18. Property income

	Group	
	2016 \$'000	2015 \$'000
Gross rent	154,508	162,978
Car park income	3,355	3,351
Others	3,389	4,018
	<b>161,252</b>	<b>170,347</b>

## 19. Property expenses

	Group	
	2016 \$'000	2015 \$'000
Property tax	11,004	11,552
Property management fee	4,139	4,283
Property management salary reimbursements	1,894	1,799
Marketing expenses	1,386	635
Utilities	3,190	3,375
Maintenance	9,836	9,993
Other property expenses	1,433	1,245
	<b>32,882</b>	<b>32,882</b>

## 20. Rental support

Rental support relates to top-up payments from vendors for the difference between the actual and guaranteed income amounts in respect of the Group's interests in CBDPL and OPLLP.

In the prior year, rental support was related to top-up payments from vendors for the difference between the actual and guaranteed income amounts in respect of the Group's interests in CBDPL, OPLLP and 77 King Street office tower.

## 21. Trust expenses

	Group	
	2016 \$'000	2015 \$'000
Manager's base fees	41,605	40,951
Manager's performance fees	8,910	9,033
Trustees' fees	1,570	1,563
Valuation fees	234	230
Auditor's remuneration	266	300
Professional fees	1,584	1,710
Other trust expenses	2,689	2,983
	<b>56,858</b>	<b>56,770</b>

For the financial years ended 31 December 2016 and 2015, the Manager has elected to receive in Units 100% of base fees and performance fees earned.

## Notes to the Financial Statements

### 22. Borrowing costs

	Group	
	2016 \$'000	2015 \$'000
Interest expense on:		
- bank loans	59,420	61,796
- revolving loans	798	2,473
Amortisation of capitalised transaction costs	3,831	3,044
	<b>64,049</b>	<b>67,313</b>

### 23. Net change in fair value of investment properties

	Group	
	2016 \$'000	2015 \$'000
Investment properties held directly by the Group (Note 3)	36,427	110,519
Investment properties held by associates (Note 5)	34,079	69,391
Investment properties held by joint ventures (Note 6)	30,750	38,035
Effects of recognising rental income on a straight-line basis over the lease terms	(10,085)	93
	<b>91,171</b>	<b>218,038</b>

### 24. Income tax expense

	Group	
	2016 \$'000	2015 \$'000
Singapore current tax:		
- current year	2,423	2,953
- under provision in respect of previous financial years	1,627	-
Overseas deferred tax:		
- current year	7,776	20,967
Overseas withholding tax:		
- current year	9,480	4,046
	<b>21,306</b>	<b>27,966</b>
Reconciliation of effective tax:		
Total return before tax	279,093	366,814
Income tax using Singapore tax rate of 17% (2015: 17%)	47,446	62,358
Effects of:		
- expenses not deductible for tax purposes	12,281	12,617
- income not subject to tax	(36,095)	(40,753)
- effects of tax rates in foreign jurisdiction	2,699	8,867
- tax transparency	(16,132)	(19,169)
- under provision in respect of previous financial years	1,627	-
- withholding tax	9,480	4,046
Income tax expense recognised in Statement of Total Return	<b>21,306</b>	<b>27,966</b>

## 25. Earnings per Unit

The basic earnings per Unit is calculated by dividing total return after tax attributable to Unitholders against the weighted average number of Units in issue during the financial year.

	Group	
	2016 \$'000	2015 \$'000
Total return after tax attributable to Unitholders	<b>250,191</b>	337,495
Total return after tax and excluding gain on divestment of investment property, net change in fair value of investment properties and related tax expenses	<b>143,584</b>	140,476
	<b>No. of Units '000</b>	No. of Units '000
Weighted average number of Units in issue during the financial year	<b>3,259,942</b>	3,191,283
Basic earnings per Unit based on:		
Total return after tax attributable to Unitholders	<b>7.67 cents</b>	10.58 cents
Total return after tax and excluding gain on divestment of investment property, net change in fair value of investment properties and related tax expenses	<b>4.40 cents</b>	4.40 cents

Diluted earnings per Unit is the same as the basic earnings per Unit as there are no dilutive instruments in issue during the financial year.

## 26. Significant related party transactions

During the financial year, other than those disclosed elsewhere in the financial statements, the following significant related party transactions took place at terms agreed between the parties:

	Group	
	2016 \$'000	2015 \$'000
Acquisition fee paid to the Manager	–	89
Divestment fee paid to the Manager	<b>810</b>	–
Trustee's fees	<b>1,248</b>	1,229
Property management fees and reimbursements paid/payable to a related company	<b>5,854</b>	5,709
Property tax recovered from related parties	<b>64</b>	16
Leasing commissions paid/payable to a related company	<b>1,211</b>	1,453
Service fees paid/payable to a related company	<b>260</b>	284
Rental income and other related income from related companies	<b>6,885</b>	7,098
Interest income received/receivable from associates	<b>23,091</b>	26,114
Rental support received/receivable from related companies	<b>12,800</b>	16,122
Coupon interest received/receivable from joint ventures	–	8,711
Electricity supply provided by a related company	<b>3,621</b>	3,784
Telephone and internet services provided by a related company	<b>11</b>	10
Aircon supply provided by a related company	<b>547</b>	660
Reimbursement of development costs for one-third interest in an associate	–	4,837

## Notes to the Financial Statements

### 27. Financial risk management objectives and policies

The Group is exposed to credit, interest rate, liquidity, foreign currency and operational risks in the normal course of its business. Assessment of financial risks is carried out regularly by the Manager.

The Manager ascribes importance to risk management and constantly takes initiatives to systematically review the risks it faces and mitigates them. Some of the key risks that the Manager has identified are as follows:

#### (a) Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Prior to signing any major lease agreements, credit assessments on prospective tenants are carried out. This is usually done by way of evaluating information from corporate searches. Security deposits are collected from tenants, and the Group's tenant trade sector mix in its property portfolio is actively managed to avoid excessive exposure to any one potentially volatile trade sector.

The Manager has ensured that appropriate terms and/or credit controls are stipulated in the agreements to ensure that the counterparty fulfils its obligations.

#### Exposure to credit risk

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the Balance Sheets.

#### Credit risk concentration profile

At the reporting date, approximately 19% (2015: 26%) of the Group's trade and other receivables were due from related companies and joint ventures. Concentration of credit risk relating to trade receivables is limited due to the Group's many and varied tenants. The tenants are engaged in diversified businesses and are of good quality and strong credit standing.

#### Financial assets that are neither past due nor impaired

Trade and other receivables and advances to associates that are neither past due nor impaired relate to creditworthy debtors and counterparties with good payment record. Cash and bank balances are placed and derivative financial instruments are entered into with financial institutions with good credit ratings.

#### (b) Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities.

The Group constantly monitors its exposure to changes in interest rates for its interest-bearing financial liabilities. Interest rate risk is managed on an on-going basis with the primary objective of limiting the extent to which net interest expense can be affected by adverse movements in interest rates through the use of financial instruments or other financial products.

The Group manages interest costs using a mix of fixed and floating rate debts. The details of the interest rates relating to interest-earning financial assets and interest-bearing financial liabilities are disclosed in Notes 8, 11 and 15 respectively.

#### Sensitivity analysis

At the reporting date, if the interest rates of borrowings had been 0.1% per annum (2015: 0.1% per annum) higher/lower with all other variables constant, the Group's total return before tax would have been \$128,000 (2015: \$438,000) lower/higher, arising mainly as a result of higher/lower interest expense on floating rate borrowings that are not hedged, and the Group's hedging reserve would have been \$4,524,000 lower/higher (2015: \$3,979,000 higher/lower), arising mainly as a result of an increase/decrease in the fair value of interest rate swaps designated as cash flow hedges.

(c) **Liquidity risk**

The Manager monitors and maintains the Group's cash flow position and working capital to ensure that there are adequate liquid reserves in terms of cash and credit facilities to meet short-term obligations. Steps have been taken to plan for funding and expense requirements so as to manage the cash position at any point of time.

The table below summarises the financial liabilities of the Group and the Trust and their maturity profile at the reporting date based on contractual undiscounted repayment obligations.

Group	2016				2015			
	1 year or less \$'000	> 1 year to 5 years \$'000	> 5 years \$'000	Total \$'000	1 year or less \$'000	> 1 year to 5 years \$'000	> 5 years \$'000	Total \$'000
Trade and other payables	51,828	–	–	51,828	51,208	–	–	51,208
Derivative financial instruments:								
– Interest rate swaps (settled net)	9,520	12,368	–	21,888	1,758	4,985	–	6,743
– Forward currency contracts (gross payments)	26,460	–	–	26,460	7,065	–	–	7,065
– Forward currency contracts (gross receipts)	(25,430)	–	–	(25,430)	(6,970)	–	–	(6,970)
Security deposits	3,545	16,439	11,430	31,414	9,172	20,719	716	30,607
Borrowings	43,252	2,056,627	520,700	2,620,579	83,046	2,205,364	356,083	2,644,493
	<b>109,175</b>	<b>2,085,434</b>	<b>532,130</b>	<b>2,726,739</b>	<b>145,279</b>	<b>2,231,068</b>	<b>356,799</b>	<b>2,733,146</b>

Trust	2016				2015			
	1 year or less \$'000	> 1 year to 5 years \$'000	> 5 years \$'000	Total \$'000	1 year or less \$'000	> 1 year to 5 years \$'000	> 5 years \$'000	Total \$'000
Trade and other payables	34,640	–	–	34,640	26,285	–	–	26,285
Derivative financial instruments:								
– Interest rate swaps (settled net)	8,064	11,553	–	19,617	1,758	4,985	–	6,743
– Forward currency contracts (gross payments)	26,460	–	–	26,460	7,065	–	–	7,065
– Forward currency contracts (gross receipts)	(25,430)	–	–	(25,430)	(6,970)	–	–	(6,970)
Security deposits	431	1,348	1,628	3,407	1,902	2,202	–	4,104
Borrowings	34,528	2,021,729	50,186	2,106,443	71,810	1,727,644	356,083	2,155,537
	<b>78,693</b>	<b>2,034,630</b>	<b>51,814</b>	<b>2,165,137</b>	<b>101,850</b>	<b>1,734,831</b>	<b>356,083</b>	<b>2,192,764</b>

(d) **Foreign currency risk**

Foreign currency risk arises when transactions are denominated in currencies other than the respective functional currencies of the various entities in the Group and impact the Group's total return for the year.

The Group's foreign currency risk relates mainly to its exposure from its investments in Australia, and the distributable income and interest income from these investments. The Manager monitors the Group's foreign currency exposure on an on-going basis and will manage its exposure to adverse movements in foreign currency exchange rates through financial instruments or other suitable financial products.

The Group has outstanding forward currency contracts with notional amounts totalling \$35,226,000 (2015: \$29,854,000) (Note 13). As at the reporting date, net financial derivative liabilities of \$878,000 (2015: assets of \$204,000) were recorded on the Balance Sheets based on the net fair value of these forward exchange contracts.

The Group has an outstanding cross currency swap with notional amount of \$99,790,000 (2015: nil) (Note 13). As at the reporting date, a derivative asset of \$8,435,000 (2015: nil) was recorded on the Balance Sheets based on the net fair value of the cross currency swap.

**Sensitivity analysis**

At the reporting date, if the Australian dollar strengthened/weakened against the Singapore dollar by 5% (2015: 5%) with all other variables constant, the Group's total return before tax would have been \$4,611,000 (2015: \$91,000) lower/higher, and the Group's hedging reserve would have been \$1,805,000 lower/higher (2015: \$1,483,000 higher/lower).

## Notes to the Financial Statements

### 28. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy credit rating and aggregate leverage.

Under the Property Funds Appendix of the CIS Code, the aggregate leverage should not exceed 45.0% of the Group's deposited properties, regardless whether a credit rating from Fitch Inc., Moody's Investor Services or Standard & Poor's has been obtained for the property fund.

The Group's capital is represented by its Unitholders' funds as disclosed in the Balance Sheets. The Group constantly monitors capital using the aggregate leverage, which is total gross borrowings divided by the value of its deposited properties. The value of the deposited properties refers to the value of the property fund's total assets (excluding restricted cash and bank balances) based on the latest valuation. At the balance sheet date, the Group has gross borrowings (including deferred payments for the construction of Phase 2 of Ocean Financial Centre and the Group's respective share of borrowings carried at ORQPL and CBDPL) totalling \$3,329,450,000 (2015: \$3,340,755,000) and an aggregate leverage of 38.5% (2015: 39.3%).

### 29. Fair value of assets and liabilities

#### (a) Fair value hierarchy

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction other than in a forced or liquidation sale.

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- (i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can assess at the measurement date;
- (ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- (iii) Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in their entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.



(b) **Assets and liabilities measured at fair value**

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group		
	2016 \$'000		
	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
<u>Financial assets</u>			
Derivative financial instruments			
- Forward currency contracts	99	-	99
- Interest rate swaps	9,727	-	9,727
- Cross currency swap	8,435	-	8,435
Financial assets as at 31 December 2016	<u>18,261</u>	<u>-</u>	<u>18,261</u>
<u>Financial liabilities</u>			
Derivative financial instruments			
- Forward currency contracts	(977)	-	(977)
- Interest rate swaps	(7,821)	-	(7,821)
Financial liabilities as at 31 December 2016	<u>(8,798)</u>	<u>-</u>	<u>(8,798)</u>
<u>Non-financial assets</u>			
Investment properties	-	3,618,097	3,618,097
Non-financial assets as at 31 December 2016	<u>-</u>	<u>3,618,097</u>	<u>3,618,097</u>
		Group	
		2015	
		\$'000	
	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
<u>Financial assets</u>			
Derivative financial instruments			
- Forward currency contracts	260	-	260
- Interest rate swaps	17,542	-	17,542
Financial assets as at 31 December 2015	<u>17,802</u>	<u>-</u>	<u>17,802</u>
<u>Financial liabilities</u>			
Derivative financial instruments			
- Forward currency contracts	(56)	-	(56)
- Interest rate swaps	(576)	-	(576)
Financial liabilities as at 31 December 2015	<u>(632)</u>	<u>-</u>	<u>(632)</u>
<u>Non-financial assets</u>			
Investment properties	-	3,691,073	3,691,073
Non-financial assets as at 31 December 2015	<u>-</u>	<u>3,691,073</u>	<u>3,691,073</u>

## Notes to the Financial Statements

## 29. Fair value of assets and liabilities (continued)

## (b) Assets and liabilities measured at fair value (continued)

	Trust		
	2016 \$'000		
	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
<u>Financial assets</u>			
Derivative financial instruments			
- Forward currency contracts	99	-	99
- Interest rate swaps	7,919	-	7,919
- Cross currency swap	8,435	-	8,435
Financial assets as at 31 December 2016	<u>16,453</u>	<u>-</u>	<u>16,453</u>
<u>Financial liabilities</u>			
Derivative financial instruments			
- Forward currency contracts	(977)	-	(977)
- Interest rate swaps	(6,591)	-	(6,591)
Financial liabilities as at 31 December 2016	<u>(7,568)</u>	<u>-</u>	<u>(7,568)</u>
<u>Non-financial assets</u>			
Investment properties	-	540,000	540,000
Non-financial assets as at 31 December 2016	<u>-</u>	<u>540,000</u>	<u>540,000</u>
		Trust	
		2015 \$'000	
	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
<u>Financial assets</u>			
Derivative financial instruments			
- Forward currency contracts	260	-	260
- Interest rate swaps	9,965	-	9,965
Financial assets as at 31 December 2015	<u>10,225</u>	<u>-</u>	<u>10,225</u>
<u>Financial liabilities</u>			
Derivative financial instruments			
- Forward currency contracts	(56)	-	(56)
- Interest rate swaps	(576)	-	(576)
Financial liabilities as at 31 December 2015	<u>(632)</u>	<u>-</u>	<u>(632)</u>
<u>Non-financial assets</u>			
Investment properties	-	550,000	550,000
Non-financial assets as at 31 December 2015	<u>-</u>	<u>550,000</u>	<u>550,000</u>

(c) **Level 2 fair value measurements**

Forward currency contracts, interest rate swaps and cross currency swap are valued using valuation techniques with market observable inputs. The most frequently applied valuation technique includes forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

(d) **Level 3 fair value measurements**

(i) **Information about significant unobservable inputs used in Level 3 fair value measurements**

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy.

Description	Fair value as at 31 December 2016 \$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	3,618,097	Capitalisation approach	Capitalisation rate	3.75% - 6.25%	The higher the rate, the lower the fair value
		Discounted cash flows analysis	Discount rate	6.00% - 7.50%	The higher the rate, the lower the fair value
		Direct comparison method	Transacted prices of comparable properties	\$600/sf - \$3,500/sf	The higher the rate, the higher the fair value

Description	Fair value as at 31 December 2015 \$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties	3,691,073	Capitalisation approach	Capitalisation rate	3.75% - 6.75%	The higher the rate, the lower the fair value
		Discounted cash flows analysis	Discount rate	5.75% - 8.00%	The higher the rate, the lower the fair value
		Direct comparison method	Transacted prices of comparable properties	\$500/sf - \$3,100/sf	The higher the rate, the higher the fair value

The investment properties categorised under Level 3 of the fair value hierarchy are generally sensitive to the various unobservable inputs tabled above. A significant movement of each input would result in a significant change to the fair value of the respective investment properties.

The Group assesses the fair value of investment properties on a yearly basis.

(ii) **Valuation policies and procedures**

The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties at the end of every financial year.

The Manager is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge of valuation of investment properties. In accordance to the CIS Code, the Group rotates the independent valuers every two years.

Management reviews the appropriateness of the valuation methodologies and assumptions adopted by the external valuers.

Significant changes in fair value measurements from period to period are evaluated by management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent external sources, or internal sources if necessary and appropriate. Significant valuation issues are reported to the Audit and Risk Committee.

## Notes to the Financial Statements

### 29. Fair value of assets and liabilities (continued)

#### (e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The Manager has determined that the carrying amounts of cash and bank balances, trade and other receivables, trade and other payables, security deposits and current borrowings reasonably approximate their fair values. The carrying amounts of advances to associates and floating rate borrowings reasonably approximate their fair values because they are floating rate instruments that are repriced to market interest rates on or near the end of the reporting period.

The fair values of non-current fixed-rate borrowings as at 31 December 2016 and 31 December 2015 are as stated below. They are estimated using discounted cash flows analyses based on current rates for similar types of borrowing arrangements.

Group	2016		2015	
	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
<b>Borrowings (non-current)</b>	<b>204,770</b>	<b>199,396</b>	204,616	194,358
<b>Trust</b>				
Borrowings (non-current)	204,770	199,396	204,616	194,358

Fair value information has not been disclosed for the Trust's interest bearing amounts owing by subsidiaries that are carried at cost because their fair values cannot be measured reliably as the amounts have no fixed repayment terms.

#### (f) Classification of financial instruments

Group	Loans and receivables \$'000	Liabilities at amortised cost \$'000
<b>2016</b>		
<b>Assets</b>		
Advances to associates	610,922	-
Trade and other receivables	10,662	-
Cash and bank balances	278,682	-
Total	<b>900,266</b>	-
<b>Liabilities</b>		
Trade and other payables	-	51,828
Borrowings	-	2,481,754
Security deposits	-	31,414
Total	-	<b>2,564,996</b>
<b>2015</b>		
<b>Assets</b>		
Advances to associates	608,922	-
Trade and other receivables	18,057	-
Cash and bank balances	144,601	-
Total	<b>771,580</b>	-
<b>Liabilities</b>		
Trade and other payables	-	51,208
Borrowings	-	2,489,572
Security deposits	-	30,607
Total	-	<b>2,571,387</b>

<b>Trust</b>	Loans and receivables \$'000	Liabilities at amortised cost \$'000
<u>2016</u>		
<i>Assets</i>		
Advances to associates	<b>610,922</b>	–
Trade and other receivables	<b>7,721</b>	–
Cash and bank balances	<b>141,948</b>	–
Total	<b>760,591</b>	–
<i>Liabilities</i>		
Trade and other payables	–	<b>34,640</b>
Borrowings	–	<b>2,015,901</b>
Security deposits	–	<b>3,407</b>
Total	–	<b>2,053,948</b>
<u>2015</u>		
<i>Assets</i>		
Advances to associates	608,922	–
Trade and other receivables	27,502	–
Cash and bank balances	126,501	–
Total	762,925	–
<i>Liabilities</i>		
Trade and other payables	–	26,285
Borrowings	–	2,028,126
Security deposits	–	4,104
Total	–	2,058,515

As at 31 December 2016, both the Group and the Trust have financial assets at fair value through profit or loss amounting to \$9,018,000 (2015: nil).

## Notes to the Financial Statements

### 30. Portfolio reporting

The Group's business is investing in real estate and real estate-related assets which are predominantly used for commercial purposes. All its existing properties are located in Singapore and Australia.

Discrete financial information is provided to the Board on a property by property basis. The information provided includes net rental (including property income and property expenses) and the value of the investment properties. The Board is of the view that the portfolio reporting is appropriate as the Group's business is in prime commercial properties located in Singapore's and Australia's financial precincts. In making this judgement, the Board considers the nature and location of these properties which are similar for the entire portfolio of the Group.

Investments in One Raffles Quay and Marina Bay Financial Centre are held through one-third interests in ORQPL, BFDLLP and CBDPL, investments in 8 Chifley Square and David Malcolm Justice Centre are held through 50% interests in M8CT and MOTT, and the information provided below is in relation to the properties.

#### By property

	Group	
	2016 \$'000	2015 \$'000
<b>Property income</b>		
Bugis Junction Towers	<b>21,259</b>	22,599
Ocean Financial Centre <sup>1</sup>	<b>104,863</b>	101,858
275 George Street <sup>2</sup>	<b>18,311</b>	18,946
8 Exhibition Street <sup>3</sup>	<b>16,150</b>	16,436
77 King Street office tower <sup>4</sup>	<b>669</b>	10,508
Total property income	<b>161,252</b>	170,347

	Group	
	2016 \$'000	2015 \$'000
<b>Income contribution</b>		
Bugis Junction Towers	<b>16,773</b>	18,872
Ocean Financial Centre <sup>1</sup>	<b>84,925</b>	83,044
275 George Street <sup>2</sup>	<b>14,978</b>	15,294
8 Exhibition Street <sup>3</sup>	<b>11,170</b>	11,793
77 King Street office tower <sup>4</sup>	<b>524</b>	8,462
Total net property income	<b>128,370</b>	137,465
Ocean Financial Centre <sup>1</sup> :		
– Rental support	<b>3,946</b>	5,577
One-third interest in ORQPL <sup>5</sup> :		
– Interest income	<b>2,019</b>	2,019
– Dividend income	<b>27,136</b>	24,120
Total income	<b>29,155</b>	26,139
One-third interests in BFCDLLP <sup>6</sup> and CBDPL <sup>6</sup> :		
– Rental support	<b>12,800</b>	14,800
– Interest income	<b>21,072</b>	24,095
– Dividend and distribution income	<b>59,317</b>	51,642
Total income	<b>93,189</b>	90,537
50% interest in M8CT <sup>7</sup> :		
– Distribution income	<b>12,206</b>	12,135
50% interest in MOTT <sup>8</sup> :		
– Interest income	<b>–</b>	8,711
– Distribution income	<b>11,956</b>	3,131
Total income	<b>11,956</b>	11,842
Total income contribution	<b>278,822</b>	283,695

1 Comprises approximately 99.9% (2015: 99.9%) interest in OPLLP which holds Ocean Financial Centre.

2 Comprises 50.0% (2015: 50.0%) interest in 275 George Street.

3 Comprises 50.0% (2015: 50.0%) interest in 8 Exhibition Street office building and two retail units, as well as 100% (2015: 100%) interest in the three adjoining retail units.

4 77 King Street office tower was divested on 29 January 2016.

5 Comprises one-third (2015: one-third) interest in ORQPL which holds One Raffles Quay.

6 Comprise one-third (2015: one-third) interests in BFCDLLP and CBDPL which hold Marina Bay Financial Centre Towers 1, 2 and 3 and Marina Bay Link Mall.

7 Comprises 50.0% (2015: 50.0%) interest in M8CT which holds 8 Chifley Square.

8 Comprises 50.0% (2015: 50.0%) interest in MOTT which holds David Malcolm Justice Centre (formerly known as Old Treasury Building). The David Malcolm Justice Centre received its Certificate of Practical Completion on 31 August 2015.

## Notes to the Financial Statements

### 30. Portfolio reporting (continued)

#### By property (continued)

Reconciliation to net income before gain on divestment of investment property and net change in fair value of investment properties per Statement of Total Return:

	Group	
	2016 \$'000	2015 \$'000
Total income contribution	278,822	283,695
Less: Dividend and distribution income	(110,615)	(91,028)
Add: Rental support for directly held investment properties	–	103
Add: Interest income earned from deposits placed with financial institutions	4,368	2,115
Add: Share of results of associates	83,460	75,695
Add: Share of results of joint ventures	30,789	17,163
Less: Other unallocated expenses	(127,201)	(138,967)
Net income before gain on divestment of investment property and net change in fair value of investment properties	<b>159,623</b>	148,776

	Group	
	2016 \$'000	2015 \$'000
<b>Interests in associates</b>		
<u>One-third interest in ORQPL:</u>		
Investment in associate	668,017	665,472
Advances to associate	44,946	44,946
	<b>712,963</b>	710,418
<u>One-third interest in BFCDLLP:</u>		
Investment in associate	1,104,986	1,093,850
Advances to associate	565,976	563,976
	<b>1,670,962</b>	1,657,826
<u>One-third interest in CBDPL:</u>		
Investment in associate	752,109	738,476

	Group	
	2016 \$'000	2015 \$'000
<b>Interests in joint ventures</b>		
<u>50% interest in M8CT:</u>		
Investment in joint venture	225,905	200,027
<u>50% interest in MOTT:</u>		
Investment in joint venture	224,379	208,085



**By geographical area**

	Group	
	2016 \$'000	2015 \$'000
<u>Property income</u>		
- Singapore	<b>126,122</b>	124,457
- Australia	<b>35,130</b>	45,890
Total property income	<b>161,252</b>	170,347
<u>Net property income</u>		
- Singapore	<b>101,698</b>	101,916
- Australia	<b>26,672</b>	35,549
Total net property income	<b>128,370</b>	137,465
<u>Income contribution</u>		
- Singapore	<b>227,988</b>	224,169
- Australia	<b>50,834</b>	59,526
Total income contribution	<b>278,822</b>	283,695
<u>Investment properties, at valuation</u>		
- Singapore	<b>3,167,332</b>	3,143,027
- Australia	<b>450,765</b>	548,046
Total value of investment properties	<b>3,618,097</b>	3,691,073

## Notes to the Financial Statements

### 31. Commitments and contingencies

#### (a) Operating lease commitments – as lessor

The Group leases out its investment properties. Lease arrangements for the Group's Australia-based investment properties include rental escalation clauses. Future minimum rental receivable under non-cancellable operating leases is as follows:

	Group	
	2016 \$'000	2015 \$'000
Within 1 year	131,587	147,048
Between 2 and 5 years	358,816	240,913
After 5 years	149,211	35,008
	<b>639,614</b>	422,969

#### (b) Guarantee

The Trust has provided corporate guarantees amounting to \$1,458,711,000 (2015: \$1,471,500,000) and \$50,000,000 (2015: \$50,000,000) to banks for loans taken by a subsidiary and medium term notes issued by a subsidiary respectively.

### 32. Financial ratios

	2016 %	2015 %
Expenses to weighted average net assets <sup>1</sup>		
- including performance component of Manager's management fees	1.22	1.25
- excluding performance component of Manager's management fees	1.03	1.05
Total operating expenses to net asset value <sup>2</sup>	2.7	2.7
Portfolio turnover rate <sup>3</sup>	–	–

1 The ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to the trust expenses, excluding property expenses, amortisation expenses, foreign exchange differences and borrowing costs for the financial year.

2 The ratio is computed based on the total property expenses, including the Group's share of property expenses incurred by its associates and joint ventures and all fees and charges paid to the Manager and related parties for the financial year and as a percentage of net asset value as at the end of the financial year.

3 The ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value.

### 33. Subsequent events

On 24 January 2017, the Manager declared a distribution of 1.48 cents per Unit for the period from 1 October 2016 to 31 December 2016.

# Additional Information

## Interested person transactions

The transactions entered into with interested persons during the financial year which fall under the Listing Manual of the SGX-ST and the Property Funds Appendix of the CIS Code are as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000)	Aggregate value of all interested person transactions conducted under Unitholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) <sup>1</sup>
	FY2016 \$'000	FY2016 \$'000
<u>Keppel Corporation Limited and its subsidiaries or associates</u>		
- Manager's management fees	50,515	Nil
- Divestment fee	810	Nil
- Property management fees and reimbursable	5,854	Nil
- Leasing commissions	1,211	Nil
- Rental and service charge income <sup>2</sup>	36,476	Nil
- Rental support	12,800	Nil
- Electricity expenses <sup>2</sup>	17,810	Nil
<u>RBC Investor Services Trust Singapore Limited</u>		
- Trustee's fees	1,248	Nil

<sup>1</sup> Keppel REIT does not have a Unitholders' mandate.

<sup>2</sup> The aggregate value of interested person transactions refers to the total contract sum entered into during the financial year.

The payments of the Manager's management fees, payments of property management fees, reimbursements and leasing commissions to the Property Manager in respect of payroll and related expenses as well as payments of the Trustee's fees pursuant to the Trust Deed have been approved at the extraordinary general meeting of shareholders of Keppel Land held on 11 April 2006, and are therefore not subject to Rules 905 and 906 of the Listing Manual of the SGX-ST. Such payments are not to be included in the aggregate value of total interested person transactions as governed by Rules 905 and 906 of the Listing Manual. In addition, certain other interested person transactions as outlined in the Introductory Document dated 25 March 2006 are deemed to have been specifically approved by the Unitholders and are therefore not subject to Rules 905 and 906 of the Listing Manual insofar, in respect of each such agreement, there is no subsequent change to the rates and/or basis of the fees charged thereunder which will adversely affect Keppel REIT.

Save as disclosed above, there were no other interested person transactions (excluding transactions less than \$100,000 each) entered into during FY2016 nor any material contracts entered into by Keppel REIT that involved the interests of the Chief Executive Officer, any Director or controlling Unitholder of Keppel REIT.

Please also see significant related party transactions on Note 26 in the financial statements.

## Subscription of Keppel REIT Units

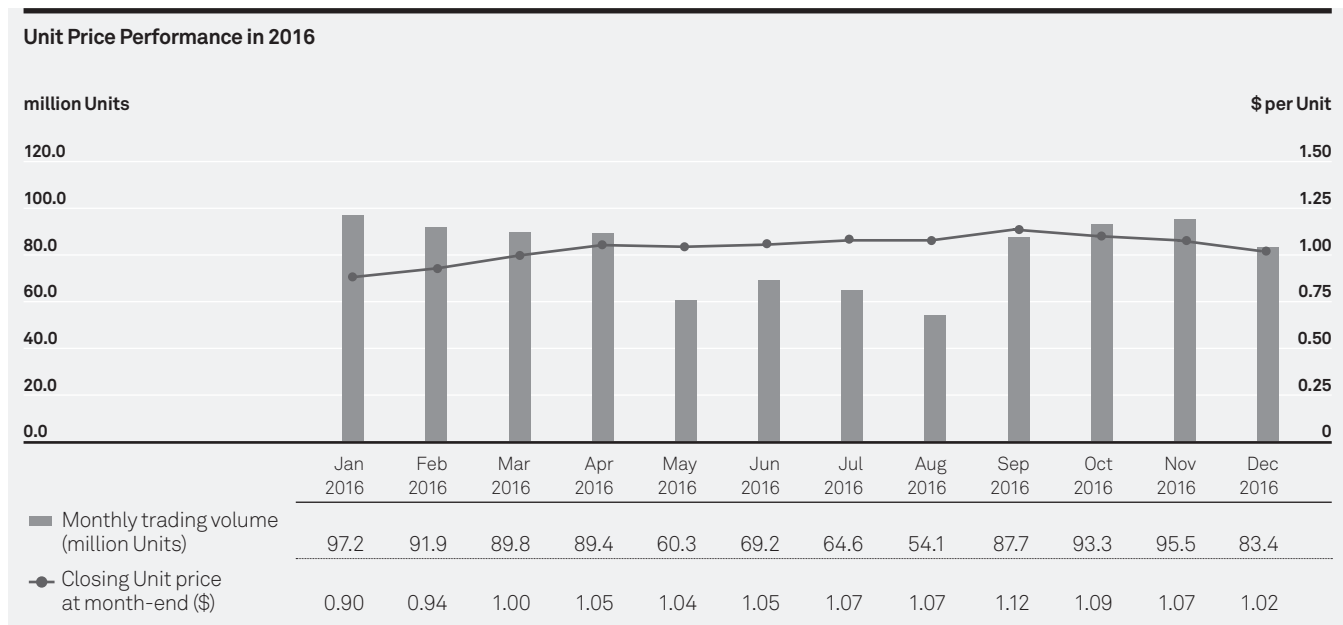
During the financial year ended 31 December 2016, Keppel REIT issued 43,763,613 new Units as payment of the Manager's management fees and 31,728,090 new Units pursuant to the Distribution Reinvestment Plan.

## Unit Price Performance

A total of approximately 1.0 billion Keppel REIT Units were traded in 2016. The Unit closed at \$1.02 on 31 December 2016.

Keppel REIT's total Unitholder return of approximately 16.7% was above the broader benchmarks of the Straits Times (STI), FTSE ST Real Estate (RE) and Real Estate Investment Trust (REIT) Indices' returns of 3.7%, 4.3% and 8.6% respectively.

Based on the Unit market closing price of \$1.02 on 31 December 2016, Keppel REIT delivered a distribution yield of 6.2%, marginally lower than the FTSE REIT Index's yield of 6.3%. Compared to the broader benchmarks, Keppel REIT's yield was 370 bps above the CPF Ordinary Account and, 370 bps and 430 bps higher than the 10-year and five-year Singapore Government bonds respectively.



Unit Price Performance	2016	2015
Highest closing price (\$)	<b>1.14</b>	1.25
Lowest closing price (\$)	<b>0.86</b>	0.92
Average closing price (\$)	<b>1.03</b>	1.10
Closing price as at the last trading day of the year (\$)	<b>1.02</b>	0.93
Trading volume (million Units)	<b>976</b>	1,210

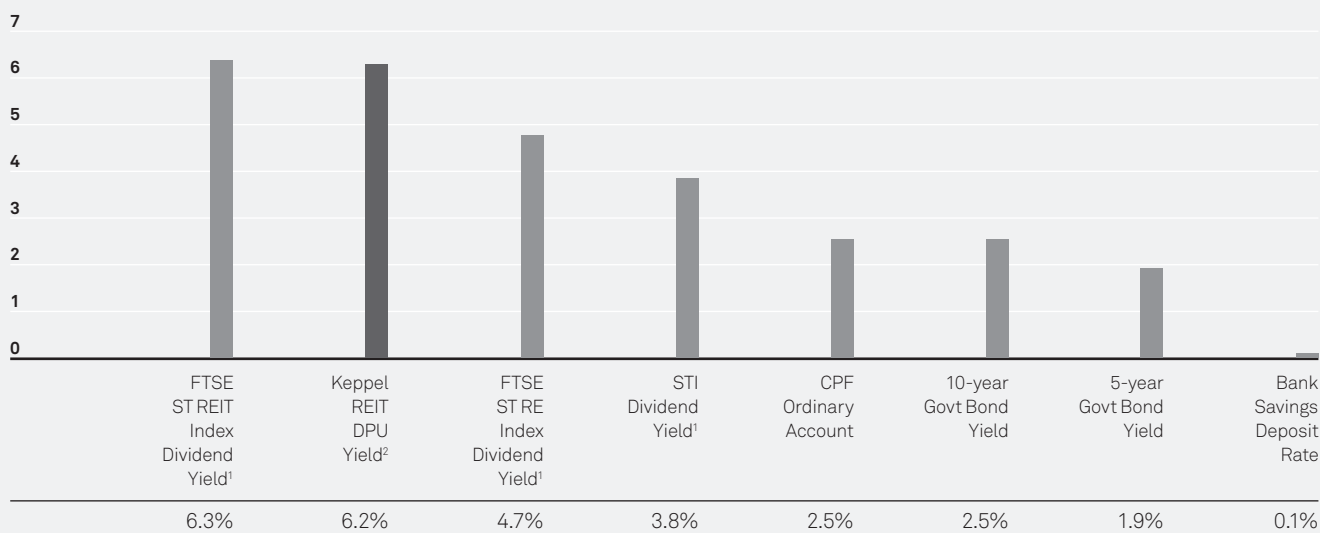
## Comparative Price Trends

Date	Keppel REIT		STI		FTSE ST RE		FTSE ST REIT	
	Closing Unit price (\$) at month-end	Change <sup>1</sup> (%)	Closing Unit price (\$) at month-end	Change <sup>1</sup> (%)	Closing Unit price (\$) at month-end	Change <sup>1</sup> (%)	Closing Unit price (\$) at month-end	Change <sup>1</sup> (%)
Dec 2015	0.930	-	2,882.73	-	701.61	-	695.93	-
<b>Jan 2016</b>	<b>0.895</b>	<b>-3.8%</b>	<b>2,629.11</b>	<b>-8.8%</b>	<b>658.78</b>	<b>-6.1%</b>	<b>687.36</b>	<b>-1.2%</b>
<b>Feb 2016</b>	<b>0.940</b>	<b>1.1%</b>	<b>2,666.51</b>	<b>-7.5%</b>	<b>669.46</b>	<b>-4.6%</b>	<b>718.05</b>	<b>3.2%</b>
<b>Mar 2016</b>	<b>0.995</b>	<b>7.0%</b>	<b>2,840.90</b>	<b>-1.5%</b>	<b>685.83</b>	<b>-2.2%</b>	<b>722.54</b>	<b>3.8%</b>
<b>Apr 2016</b>	<b>0.995</b>	<b>7.0%</b>	<b>2,838.52</b>	<b>-1.5%</b>	<b>700.57</b>	<b>-0.1%</b>	<b>734.98</b>	<b>5.6%</b>
<b>May 2016</b>	<b>1.035</b>	<b>11.3%</b>	<b>2,791.06</b>	<b>-3.2%</b>	<b>680.65</b>	<b>-3.0%</b>	<b>716.76</b>	<b>3.0%</b>
<b>Jun 2016</b>	<b>1.050</b>	<b>12.9%</b>	<b>2,840.93</b>	<b>-1.5%</b>	<b>692.35</b>	<b>-1.3%</b>	<b>741.54</b>	<b>6.6%</b>
<b>Jul 2016</b>	<b>1.065</b>	<b>14.5%</b>	<b>2,868.69</b>	<b>-0.5%</b>	<b>713.89</b>	<b>1.8%</b>	<b>755.60</b>	<b>8.6%</b>
<b>Aug 2016</b>	<b>1.065</b>	<b>14.5%</b>	<b>2,820.59</b>	<b>-2.2%</b>	<b>712.08</b>	<b>1.5%</b>	<b>758.10</b>	<b>8.9%</b>
<b>Sep 2016</b>	<b>1.115</b>	<b>19.9%</b>	<b>2,869.47</b>	<b>-0.5%</b>	<b>736.71</b>	<b>5.0%</b>	<b>771.09</b>	<b>10.8%</b>
<b>Oct 2016</b>	<b>1.090</b>	<b>17.2%</b>	<b>2,813.87</b>	<b>-2.4%</b>	<b>712.89</b>	<b>1.6%</b>	<b>748.65</b>	<b>7.6%</b>
<b>Nov 2016</b>	<b>1.065</b>	<b>14.5%</b>	<b>2,905.17</b>	<b>0.8%</b>	<b>705.24</b>	<b>0.5%</b>	<b>724.31</b>	<b>4.1%</b>
<b>Dec 2016</b>	<b>1.020</b>	<b>9.7%</b>	<b>2,880.76</b>	<b>-0.1%</b>	<b>698.70</b>	<b>-0.4%</b>	<b>709.49</b>	<b>1.9%</b>

1 Based on the closing price on the last day of the preceding reporting period compared with the closing price on the last day of each month of the current period.

## Comparative Yields

as at 31 December 2016



1 Based on sum of gross dividend amounts over the prior 12 months for STI, FTSE ST REIT Index and FTSE ST RE Index as at 31 December 2016.

2 Based on Keppel REIT's DPU of 6.37 cents for FY 2016 and market closing price of \$1.02 per Unit as at 31 December 2016.

Sources: Bloomberg, Monetary Authority of Singapore, Central Provident Fund and Singapore Government Securities

## Statistics of Unitholdings

As at 1 March 2017

### Issued and Fully Paid Units

3,318,701,221 Units (Voting rights : 1 vote per Unit)

There is only one class of Units in Keppel REIT.

Market capitalisation of S\$3,418,262,258 based on market closing price of S\$1.030 on 1 March 2017.

### Distribution Of Unitholdings

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 - 99	4,203	8.57	245,539	0.01
100 - 1,000	17,350	35.36	8,275,390	0.25
1,001 - 10,000	18,188	37.07	75,277,725	2.27
10,001 - 1,000,000	9,254	18.86	424,925,310	12.80
1,000,001 and above	66	0.14	2,809,977,257	84.67
<b>Total</b>	<b>49,061</b>	<b>100.00</b>	<b>3,318,701,221</b>	<b>100.00</b>

### Twenty Largest Unitholders

No.	Name	No. of Units	%
1	Keppel REIT Investment Pte Ltd	1,476,216,367	44.48
2	DBS Nominees (Private) Limited	346,583,981	10.44
3	Citibank Nominees Singapore Pte Ltd	335,480,800	10.11
4	Raffles Nominees (Pte) Limited	11,253,147	3.39
5	HSBC (Singapore) Nominees Pte Ltd	94,036,603	2.83
6	Citibank Consumer Nominees Pte Ltd	66,991,452	2.02
7	DBSN Services Pte. Ltd.	49,005,312	1.48
8	Keppel Capital Investment Holdings Pte Ltd	42,865,490	1.29
9	United Overseas Bank Nominees (Private) Limited	39,605,772	1.19
10	BNP Paribas Securities Services Singapore Branch	28,840,664	0.87
11	OCBC Securities Private Limited	20,438,350	0.62
12	Keppel REIT Management Limited	19,149,650	0.58
13	DBS Vickers Securities (Singapore) Pte Ltd	15,302,626	0.46
14	Phillip Securities Pte Ltd	11,697,441	0.35
15	Ko Woon Hong	11,510,027	0.35
16	DB Nominees (Singapore) Pte Ltd	10,180,396	0.31
17	OCBC Nominees Singapore Private Limited	9,648,055	0.29
18	UOB Kay Hian Private Limited	9,600,279	0.29
19	ABN AMRO Nominees Singapore Pte Ltd	8,413,122	0.25
20	Peh Kwee Chim	7,358,735	0.22
	<b>Total</b>	<b>2,715,456,597</b>	<b>81.82</b>

### The Manager's Directors' Unitholdings

Based on the Register of Directors' Unitholdings maintained by the Manager, as at 21 January 2017, the direct and deemed interests of each Director in the Units in Keppel REIT are as follows :

Name of Director	No. of Units
Chin Wei-Li, Audrey Marie	879,587 (Direct) and 1,185,856 (Deemed)
Ng Hsueh Ling (resigned w.e.f 1 February 2017)	1,100,557 (Direct)
Tan Chin Hwee	370,000 (Deemed)
Lee Chiang Huat	Nil
Chan Choong Seng, Daniel	Nil
Lor Bak Liang	110,359 (Direct)
Ang Wee Gee	885,270 (Direct)
Prof Tan Cheng Han	Nil
Christina Tan Hua Mui	2,000 (Direct)
Penny Goh	140,308 (Direct)

<sup>1</sup> As at 21 January 2017, there are no convertible securities in Keppel REIT.

### Substantial Unitholders

Based on the Register of Substantial Unitholders' Unitholdings maintained by the Manager as at 1 March 2017, the direct and deemed interests of each Substantial Unitholders of Keppel REIT in the Units in Keppel REIT are as follows:

Name	No. of Units	%
Temasek Holdings (Private) Limited	1,559,849,332 (Deemed) <sup>1</sup>	47.00
Keppel Corporation Limited	1,538,075,048 (Deemed) <sup>2</sup>	46.35
Keppel Land Limited	1,476,216,367 (Deemed) <sup>3</sup>	44.48
Keppel REIT Investment Pte. Ltd.	1,476,216,367 (Direct)	44.48

#### Notes:

- (1) Temasek Holdings (Private) Limited's deemed interest arises from the deemed interest held by Keppel Corporation Limited and other associated companies of Temasek Holdings (Private) Limited.
- (2) Keppel Corporation Limited's deemed interest arises from its shareholdings in (i) Keppel Real Estate Investment Pte. Ltd., a wholly-owned subsidiary of Keppel Corporation Limited, (ii) Keppel Capital Investment Holdings Pte. Ltd. and Keppel REIT Management Limited, both wholly-owned subsidiaries of Keppel Capital Holdings Pte. Ltd. which is turn a wholly-owned subsidiary of Keppel Corporation Limited; and (iii) Keppel REIT Investment Pte. Ltd., a wholly-owned subsidiary of Keppel Land Limited which is in turn a wholly-owned subsidiary of Keppel Corporation Limited.
- (3) Keppel Land Limited's deemed interest arises from its shareholdings in Keppel REIT Investment Pte. Ltd. which is in turn a wholly-owned subsidiary of Keppel Land Limited.

### Public Unitholders

Based on the information available to the Manager as at 1 March 2017, approximately 53% of the issued Units in Keppel REIT is held by the public and therefore, pursuant to Rules 1207 and 723 of the Listing Manual of the SGX-ST, it is confirmed that at least 10% of the issued Units in Keppel REIT is at all times held by the public.

### Treasury Units

As at 1 March 2017, there are no treasury units held by Keppel REIT or the Manager.

## Corporate Information

### Trustee

**RBC Investor Services Trust  
Singapore Limited**  
77 Robinson Road  
#18-00 Robinson 77  
Singapore 068896  
Phone: +65 6230 1988  
Fax: +65 6532 0215

### Auditor

**PricewaterhouseCoopers LLP**  
8 Cross Street  
#17-00 PWC Building  
Singapore 048424  
Phone: +65 6236 3388  
Fax: +65 6236 3300  
(Partner-in-charge:  
Mr Yeow Chee Keong)  
(With effect from financial year ended  
31 December 2016)

### The Manager

**Keppel REIT Management Limited  
(A member of Keppel Capital Holdings  
Pte. Ltd.)**  
*Registered Address*  
1 HarbourFront Avenue  
#18-01 Keppel Bay Tower  
Singapore 098632  
Phone: +65 6803 1818  
Fax: +65 6803 1717

*Principal Business Address*  
230 Victoria Street  
#05-08 Bugis Junction Towers  
Singapore 188024

*Investor Relations contact:*  
Phone: +65 6803 1739  
Email: investor.relations@keppelreit.com

**Unit Registrar and  
Unit Transfer Office  
Boardroom Corporate & Advisory  
Services Pte. Ltd. (a member of  
Boardroom Limited)**  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623  
Phone: +65 6536 5355  
Fax: +65 6536 1360

*For updates or change of  
mailing address, please contact:*  
**The Central Depository (Pte) Limited**  
9 North Buona Vista Drive  
#01-19/20 The Metropolis  
Singapore 138588  
Phone: +65 6535 7511  
Fax: +65 6535 0775  
Email: asksgx@sgx.com  
Website: [www.sgx.com/wps/portal/  
sgxweb/home/depository](http://www.sgx.com/wps/portal/sgxweb/home/depository)

**Joint Company Secretaries  
Mr Kelvin Chua**

**Mr Marc Tan Weiqiang**

### Directors of The Manager

**Dr Chin Wei-Li, Audrey Marie**  
Chairman, Non-Executive and  
Non-Independent Director

**Mr Tan Swee Yiw**  
Chief Executive Officer and  
Executive Director

**Mr Tan Chin Hwee**  
Non-Executive and Independent Director

**Mr Lee Chiang Huat**  
Non-Executive and Independent Director

**Mr Daniel Chan Choong Seng**  
Non-Executive and Independent Director

**Mr Lor Bak Liang**  
Non-Executive and Independent Director

**Mr Ang Wee Gee**  
Non-Executive and  
Non-Independent Director

**Professor Tan Cheng Han**  
Non-Executive and Independent Director

**Ms Christina Tan Hua Mui**  
Non-Executive and  
Non-Independent Director

**Mrs Penny Goh**  
Non-Executive and Independent Director

**Audit and Risk Committee  
Mr Lee Chiang Huat**  
(Chairman)

**Mr Tan Chin Hwee**

**Mr Daniel Chan Choong Seng**

**Mr Lor Bak Liang**

**Nominating and  
Remuneration Committee  
Professor Tan Cheng Han**  
(Chairman)

**Ms Christina Tan Hua Mui**

**Mrs Penny Goh**

**Mr Lor Bak Liang**



# Notice of Annual General Meeting



(Constituted in the Republic of Singapore)  
pursuant to a trust deed dated 28 November 2005 (as amended)

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (“**AGM**”) of the holders of units of Keppel REIT (the “**Unitholders**”), will be held at Suntec Singapore Convention & Exhibition Centre, Summit 1-2 Room (Level 3), 1 Raffles Boulevard, Suntec City, Singapore 039593 on 21 April 2017 at 10.00 a.m. to transact the following business:

## (A) As Ordinary Business

1. To receive and adopt the Report of the Trustee of Keppel REIT issued by RBC Investor Services Trust Singapore Limited, as trustee of Keppel REIT (the “**Trustee**”), the Statement by the Manager issued by Keppel REIT Management Limited, as manager of Keppel REIT (the “**Manager**”), and the Audited Financial Statements of Keppel REIT for the financial year ended 31 December 2016 and the Auditor’s Report thereon. (**Ordinary Resolution 1**)
2. To re-appoint Messrs PricewaterhouseCoopers LLP as the Auditor of Keppel REIT to hold office until the conclusion of the next AGM of Keppel REIT, and to authorise the Manager to fix their remuneration. (**Ordinary Resolution 2**)
3. To re-endorse the appointments of the following directors of the Manager (the “**Directors**”), pursuant to the undertaking dated 1 July 2016 provided by Keppel Capital Holdings Pte. Ltd. (“**Keppel Capital**”) to the Trustee:

- (a) Mr Ang Wee Gee (**Ordinary Resolution 3**); and
- (b) Professor Tan Cheng Han (**Ordinary Resolution 4**).

(Please see Explanatory Notes).

4. To endorse the appointments of the following Directors, pursuant to the undertaking dated 1 July 2016 provided by Keppel Capital to the Trustee:
  - (a) Ms Christina Tan (**Ordinary Resolution 5**);
  - (b) Mrs Penny Goh (**Ordinary Resolution 6**); and
  - (c) Mr Tan Swee Yiow (**Ordinary Resolution 7**).

(Please see Explanatory Notes).

## (B) As Special Business

To consider and, if thought fit, to pass with or without any modifications, the following resolution as an Ordinary Resolution:

5. That authority be and is hereby given to the Manager, to
  - (a) (i) issue units in Keppel REIT (“**Units**”) whether by way of rights, bonus or otherwise, and including any capitalisation of any sum for the time being standing to the credit of any of Keppel REIT’s reserve accounts or any sum standing to the credit of the profit and loss account or otherwise available for distribution; and/or
  - (ii) make or grant offers, agreements or options that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, options, debentures or other instruments convertible into Units (collectively, “**Instruments**”),

at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and

## Notice of Annual General Meeting

- (b) issue Units in pursuance of any Instruments made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force),

provided that:

- (1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution and any adjustment effected under any relevant Instrument) shall not exceed fifty per cent. (50%) of the total number of issued Units (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a pro rata basis to Unitholders (including Units to be issued in pursuance of Instruments made or granted pursuant to this Resolution and any adjustment effected under any relevant Instruments) shall not exceed twenty per cent. (20%) of the total number of issued Units (as calculated in accordance with sub-paragraph (2) below);
- (2) subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (1) above, the percentage of issued Units shall be calculated based on the total number of issued Units at the time this Resolution is passed, after adjusting for:
- (a) any new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time this Resolution is passed; and
- (b) any subsequent bonus issue, consolidation or subdivision of Units;
- (3) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST (the “**Listing Manual**”) for the time being in force (unless such compliance has been waived by the SGX-ST) and the trust deed constituting Keppel REIT (as amended) (the “**Trust Deed**”) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (4) (unless revoked or varied by the Unitholders in a general meeting) the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next AGM of Keppel REIT or (ii) the date on which the next AGM of Keppel REIT is required by applicable regulations to be held, whichever is earlier;
- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and
- (6) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including, without limitation, executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider necessary, expedient, incidental or in the interest of Keppel REIT to give effect to the authority contemplated and/or authorised by this Resolution. (**Ordinary Resolution 8**)

(Please see Explanatory Notes).

### (C) As Other Business

6. To transact such other business as may be transacted at an AGM.

BY ORDER OF THE BOARD  
Keppel REIT Management Limited  
(Company Registration No. 200411357K)  
As manager of Keppel REIT



**Marc Tan Weiqiang**  
Joint Company Secretaries  
Singapore  
30 March 2017



**Kelvin Chua**

## Explanatory notes:

### 1. Ordinary Resolutions 3 to 7

Keppel Capital had on 1 July 2016 provided an undertaking (the "**Undertaking**") to the Trustee:

- to procure the Manager to seek Unitholders' re-endorsement for the appointment of each Director no later than every third AGM of Keppel REIT after the relevant general meeting at which such Director's appointment was last endorsed or re-endorsed, as the case may be;
- (where a person is appointed as Director, either to fill a vacancy or as an addition to the existing Directors, at any time) to procure the Manager to seek Unitholders' endorsement for his appointment as a Director at the next AGM of Keppel REIT immediately following his appointment; and
- to procure any person whose appointment as a Director has not been endorsed or re-endorsed (as the case may be) by the Unitholders at the relevant general meeting of Keppel REIT where the endorsement or re-endorsement (as the case may be) for his appointment was sought, to resign or otherwise be removed from the Board of Directors of the Manager either (i) within 21 days from the date of the relevant general meeting or (ii) in the event that the Board of Directors of the Manager determines that a replacement Director has to be appointed, no later than the date when such replacement Director is appointed, and the regulatory approval for such appointment (if any) has been obtained.

The endorsement or re-endorsement from Unitholders of any appointment of any person as a Director shall be by way of an ordinary resolution passed at the relevant general meeting. The Undertaking shall not restrict the Manager or Keppel Capital from appointing any Director from time to time in accordance with applicable laws and regulations (including any applicable rule of the SGX-ST) and the Constitution of the Manager.

The Undertaking shall remain in force for so long as:

- Keppel Capital remains as the holding company (as defined in the Companies Act of Singapore, Chapter 50 of Singapore) of the Manager; and
- Keppel REIT Management Limited remains as the manager of Keppel REIT.

As the appointments of Mr Ang Wee Gee and Professor Tan Cheng Han were last endorsed by Unitholders on 15 April 2014, the Manager is seeking the re-endorsement of the appointments of Mr Ang Wee Gee and Professor Tan Cheng Han at the AGM to be held in 2017. In addition, as Ms Christina Tan, Mrs Penny Goh and Mr Tan Swee Yiow were appointed as Directors on 15 September 2016, 5 October 2016 and 20 March 2017 respectively, the Manager is also seeking the endorsement of their appointments at the AGM to be held in 2017.

Detailed information on Mr Ang Wee Gee, Professor Tan Cheng Han, Ms Christina Tan, Mrs Penny Goh and Mr Tan Swee Yiow can be found in the "Board of Directors" section in Keppel REIT's Report to Unitholders 2016.

Mr Ang Wee Gee will, upon re-endorsement, continue to serve as a non-executive and non-independent Director.

Professor Tan Cheng Han will, upon re-endorsement, continue to serve as an independent Director and the Chairman of the Nominating and Remuneration Committee.

Ms Christina Tan will, upon endorsement, continue to serve as a non-executive and non-independent Director and a member of the Nominating and Remuneration Committee.

Mrs Penny Goh will, upon endorsement, continue to serve as an independent Director and a member of the Nominating and Remuneration Committee.

Mr Tan Swee Yiow will, upon endorsement, continue to serve as an Executive Director and the Chief Executive Officer.

Professor Tan Cheng Han and Mrs Penny Goh are considered by the Board to be independent Directors.

The list of all current directorships in other listed companies and details of other principal commitments of the abovementioned Directors are set out on pages 16 and 17 of Keppel REIT's Report to Unitholders 2016.

### 2. Ordinary Resolution 8

The Ordinary Resolution 8 above, if passed, will empower the Manager from the date of this AGM until (i) the conclusion of the next AGM of Keppel REIT; (ii) the date on which the next AGM of Keppel REIT is required by the applicable regulations to be held, or (iii) the date on which such authority is revoked or varied by the Unitholders in a general meeting, whichever is the earliest (the "**Mandated Period**"), to issue Units, to make or grant Instruments and to issue Units pursuant to such Instruments, up to a number not exceeding 50% of the total number of issued Units of which up to 20% may be issued other than on a pro rata basis to Unitholders.

The Ordinary Resolution 8 above, if passed, will empower the Manager to issue Units, during the Mandated Period, as either full or partial payment of fees which the Manager is entitled to receive for its own account pursuant to the Trust Deed.

To determine the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the total number of issued Units at the time the Ordinary Resolution 8 above is passed, after adjusting for new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time the Ordinary Resolution 8 is passed and any subsequent bonus issue, consolidation or subdivision of Units.

Fund raising by issuance of new Units may be required in instances of property acquisitions or debt repayments.

In any event, if the approval of Unitholders is required under the Listing Manual and the Trust Deed or any applicable laws and regulations in such instances, the Manager will then obtain the approval of Unitholders accordingly.

## Notice of Annual General Meeting

### Important Notice:

1. A Unitholder who is not a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his or her stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he or she specifies the proportion of his or her holding (expressed as a percentage of the whole) to be represented by each proxy.
2. A Unitholder who is a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint more than one proxy to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed in the Proxy Form (defined below).

"relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Units in that capacity; or
  - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. The instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the Manager's registered office at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632 not later than 18 April 2017 at 10.00 a.m., being 72 hours before the time fixed for the AGM.

### Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Manager and the Trustee (or their agents) for the purpose of the processing and administration by the Manager and the Trustee (or their agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Manager and the Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Manager and the Trustee (or their agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Manager and the Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify the Manager and the Trustee in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

# Proxy Form



sConstituted in the Republic of Singapore)  
pursuant to a trust deed dated 28 November 2005 (as amended)

## IMPORTANT:

1. A relevant intermediary (as defined in the Notes Overleaf) may appoint more than one proxy to attend and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF monies to buy units in Keppel REIT ("Units"), this Report is forwarded to them at the request of their CPF Agent Banks/SRS Operators and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or is purported to be used by them.
4. A CPF/SRS investor who wishes to attend the Annual General Meeting as proxy has to submit his/her request to his/her CPF Agent Bank/SRS Operator so that his/her CPF Agent Bank/SRS Operator may appoint him/her as its proxy within the specified timeframe. (CPF Agent Bank/SRS Operator: Please refer to Notes 2 and 4 on the reverse side of this form on the required details.)

## PLEASE READ THE NOTES TO THE PROXY FORM.

### Personal data privacy

By submitting an instrument appointing a proxy or proxy(ies) and/or representative(s), a unitholder of Keppel REIT accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 30 March 2017.

## Annual General Meeting

I/We \_\_\_\_\_  
(Name(s) and NRIC Number(s)/Passport Number(s)/Company Registration Number)  
of \_\_\_\_\_ (Address)  
being a Unitholder/Unitholders of Keppel REIT, hereby appoint:

Name	Address	NRIC/ Passport Number	Proportion of Unitholdings	
			No. of Units	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of Unitholdings	
			No. of Units	%

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and if necessary, to demand a poll, at the Annual General Meeting of Keppel REIT to be held at Suntec Singapore Convention & Exhibition Centre, Summit 1-2 Room (Level 3), 1 Raffles Boulevard, Suntec City, Singapore 039593 on 21 April 2017 at 10.00 a.m., and any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Annual General Meeting.

No.	Resolution	Number of Votes For*	Number of Votes Against*
<b>Ordinary Business</b>			
1.	To receive and adopt the Trustee's Report, the Manager's Statement, the Audited Financial Statements of Keppel REIT for the year ended 31 December 2016 and the Auditor's Report thereon		
2.	To re-appoint Messrs PricewaterhouseCoopers LLP as the Auditor of Keppel REIT and authorise the Manager to fix the Auditor's remuneration		
3.	To re-endorse the appointment of Mr Ang Wee Gee as Director		
4.	To re-endorse the appointment of Professor Tan Cheng Han as Director		
5.	To endorse the appointment of Ms Christina Tan as Director		
6.	To endorse the appointment of Mrs Penny Goh as Director		
7.	To endorse the appointment of Mr Tan Swee Yiow as Director		
<b>Special Business</b>			
8.	To authorise the Manager to issue Units and to make or grant convertible instruments		

\* If you wish to exercise all your votes "For" or "Against" the relevant Resolution, please mark with an "X" within the relevant box provided. Alternatively, if you wish to exercise your votes for both "For" and "Against" the relevant Resolution, please indicate the number of Units in the boxes provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017

\_\_\_\_\_  
Signature(s) of Unitholder(s) / Common Seal of Corporate Unitholder

Total Number of Units Held

**IMPORTANT : Please read the notes overleaf before completing this Proxy Form**

## Notes to the Proxy Form

1. A Unitholder of Keppel REIT ("**Unitholder**") who is not a relevant intermediary entitled to attend and vote at the Annual General Meeting ("**AGM**") is entitled to appoint one or two proxies to attend and vote in his or her stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he or she specifies the proportion of the holding (expressed as a percentage of the whole) to be represented by each proxy.
2. A Unitholder who is a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint more than one proxy to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, it should annex to the Proxy Form (defined below) the proxy, or the list of proxies, setting out, in respect of each proxy, the name, address, NRIC/Passport Number and proportion of unitholding (number of shares and percentage) in relation to which the proxy has been appointed. For the avoidance of doubt, a CPF Agent Bank/SRS Operator who intends to appoint CPF/SRS investors as its proxies shall comply with this Note. The appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed in the Proxy Form (defined below).  
**"relevant intermediary"** means:
  - (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Units in that capacity; or
  - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. A Unitholder should insert the total number of Units held in the Proxy Form (defined below). If the Unitholder has Units entered against his or her name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he or she should insert that number of Units. If the Unitholder has Units registered in his or her name in the Register of Unitholders of Keppel REIT, he or she should insert that number of Units. If the Unitholder has Units entered against his or her name in the said Depository Register and registered in his or her name in the Register of Unitholders, he or she should insert the aggregate number of Units. If no number is inserted, the Proxy Form will be deemed to relate to all the Units held by the Unitholder.
4. The instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the Manager's registered office at 1 HarbourFront Avenue, #18-01 Keppel Bay Tower, Singapore 098632, not less than 72 hours before the time set for the AGM.

Fold along this line (1)

**Keppel REIT**

Postage will be  
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addressee.  
For posting in  
Singapore only.

BUSINESS REPLY SERVICE  
PERMIT NO. 08556



The Company Secretaries  
**Keppel REIT Management Limited**  
(as Manager of Keppel REIT)  
1 HarbourFront Avenue  
#18-01 Keppel Bay Tower  
Singapore 098632

Fold along this line (2)

5. The Proxy Form must be executed under the hand of the appointor or of his or her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where the Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed, or a duly certified copy of such power of attorney must (failing previous registration with the Manager) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
7. The Manager and the Trustee shall have the right to reject any Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Manager: (a) may reject any Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his or her name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by CDP to the Manager; and (b) shall be entitled and bound to accept as accurate the number of Units entered against the name of that Unitholder as shown in the Depository Register as at a time not earlier than 72 hours prior to the time of the AGM, supplied by CDP to the Trustee and to accept as the maximum number of votes which in aggregate that Unitholder and his or her proxy/ies (if any) are able to cast on poll a number which is the number of Units entered against the name of that Unitholder as shown in the Depository Register, whether that number is greater or smaller than that specified by the Unitholder or in the Proxy Form.
8. All Unitholders will be bound by the outcome of the AGM regardless of whether they have attended or voted at the AGM.
9. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he/she is the Unitholder. There shall be no division of votes between a Unitholder who is present in person and voting at the AGM and his/her proxy(ies). A person entitled to more than one vote need not use all his/her votes or cast them the same way.

**Keppel REIT Management Limited**

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Singapore 098632

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