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Driving Growth

Report to Unitholders 2016

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Driving Growth

Keppel is a multi-business company committed to providing robust solutions for sustainable urbanisation. As the Manager of Keppel DC REIT, we are driving growth to meet the demands of the new digital economy through our focused investment strategy, as well as prudent capital management and proactive asset management approach.

Vision

To be the preferred data centre real estate investment trust, serving as a trusted partner to our stakeholders.

Mission

Guided by the Keppel Group's operating principles and core values, we will create value for our investors by growing a quality portfolio of data centre assets that generates sustainable returns.

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.keppeldcreit.com

Key Figures for 2016

Distributable Income⁽¹⁾

\$61.0m

4.0% higher than the IPO Forecast's \$58.7m

Distributable income was higher mainly due to the one-off property tax refund, contribution from Intellicentre 2 Data Centre, higher finance income and lower expenses, offset by lower revenue from the Singapore and Dublin assets.

Distribution per Unit (DPU)

6.14cts

7.7% lower than the IPO Forecast's 6.65 cents mainly due to impact of the preferential offering

Distribution yield of 6.60% was lower than the IPO Forecast's 7.15% based on the listing price of \$0.930 per Unit.

Excluding the impact of the pro-rata preferential offering, the later completion of the Keppel DC Singapore 3 acquisition and the one-off property tax refund in 3Q 2016, adjusted DPU and adjusted distribution yield would have been higher than the IPO Forecast, at 6.68 cents and 7.18% respectively.

Net Asset Value (NAV) per Unit

\$0.954

3.6% above 31 December 2015's \$0.921

Adjusted NAV per Unit was \$0.926 (31 December 2015: \$0.888), excluding DPU of 2.80 cents declared for 2H 2016 (31 December 2015: 3.28 cents).

Net Property Income (NPI)

\$90.9m

4.5% higher than the IPO Forecast's \$87.0m

NPI was higher mainly due to the one-off property tax refund, contribution from Intellicentre 2 Data Centre, Milan and Cardiff data centres, and lower expenses, offset by lower revenue from the Singapore and Dublin assets.

Aggregate Leverage⁽²⁾

28.3%

90 basis points lower than 31 December 2015's 29.2%

Aggregate leverage was lower mainly due to the proceeds raised from the preferential offering, offset by new borrowings for the acquisitions of the Milan and Cardiff data centres.

Interest Coverage Ratio

9.4 times

9.4 times as compared to the IPO Forecast's 5.6 times

Improved compared to the IPO Forecast mainly from higher NPI and lower borrowing costs.

Portfolio Assets Under Management⁽³⁾ (AUM)

\$1.20b

11.8% higher than 31 December 2015's \$1.07b

Portfolio AUM was higher due to acquisitions of the Milan and Cardiff data centres and price adjustments to the Singapore properties, partially offset by revaluation of the Group's investment properties and foreign exchange translation losses.

Portfolio Occupancy

94.4%

Comparable to 31 December 2015's 94.8%

Portfolio occupancy remained healthy at 94.4%, with nine out of 11 data centres at full occupancy.

Notes:

⁽¹⁾ The distributable income to Unitholders was based on 100% of the taxable income available for distribution to Unitholders.

⁽²⁾ Aggregate leverage was computed based on gross borrowings and deferred payments over total deposited properties as stipulated in the Property Funds Appendix in the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore, without considering finance lease liabilities pertaining to land rent commitments.

⁽³⁾ Based on valuations by independent valuers, excluding finance lease liabilities pertaining to land rent commitments, and acquisition of a 90% interest in Keppel DC Singapore 3 which was announced on 17 October 2016 and legally completed on 20 January 2017.

Corporate Profile and Strategic Direction

Listed on 12 December 2014, Keppel DC REIT is the first pure-play data centre REIT listed in Asia on the Singapore Exchange.

Keppel DC REIT's investment strategy is to principally invest, directly or indirectly, in a diversified portfolio of income-producing real estate assets which are used primarily for data centre purposes, as well as real estate related assets, with an initial focus on Asia Pacific and Europe.

As at 31 December 2016, the REIT had a portfolio valued at approximately \$1.20 billion, comprising 11 data centres strategically located in key data centre hubs. With an aggregate lettable area of approximately 843,084 sq ft, the

portfolio spanned nine cities in seven countries in Asia Pacific and Europe.

The portfolio did not include the REIT's forward purchase of maincubes Data Centre which is under construction by the vendor in Offenbach am Main, Germany, and the acquisition of Keppel DC Singapore 3 which was announced on 17 October 2016 and pending legal completion as at 31 December 2016. Including the acquisition of a 90% interest in Keppel DC Singapore 3 which was legally completed on 20 January 2017, the portfolio would comprise 12 data centres valued at approximately \$1.40 billion.

The REIT is managed by Keppel DC REIT Management Pte. Ltd., which is 50% owned by Keppel Capital Holdings

(Keppel Capital) and 50% owned by Keppel Telecommunications & Transportation (Keppel T&T). 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. Keppel T&T is a provider of integrated services and solutions for logistics and data centres. Its data centre division owns, acquires, develops and manages high-availability data centres.

As the Sponsor of the REIT, Keppel T&T has also granted Rights of First Refusal to the REIT for its income generating data centre assets.

Keppel DC REIT aims to be the preferred data centre real estate investment trust in Asia with a quality portfolio of assets across Asia Pacific and Europe.

The Manager employs a three-pronged strategy to capture the growth potential of the data centre industry and deliver sustainable returns to investors.



Focused Investment Strategy

- Pursue strategic growth opportunities that complement the portfolio and drive long-term sustainability.
- Build a geographically diversified portfolio with well-staggered lease expiries to enhance income stability.
- Maintain an optimal mix of fully fitted as well as shell and core assets with stable long-term leases, and colocation assets which are diversified in terms of client profile and lease term.

Proactive Asset Management

- Optimise returns from the portfolio by managing existing leases proactively and engaging prospective clients.
- Develop new opportunities by heightening understanding of global clientele's requirements and leveraging established networks.
- Manage property expenses prudently to maximise net property income.
- Review the portfolio continuously and identify opportunities to enhance the existing assets and create further value.

Prudent Capital Management

- Employ an optimal mix of debt and equity in financing acquisitions to maximise returns while maintaining financial flexibility.
- Utilise appropriate hedging strategies to achieve the best risk-adjusted returns and ensure stability of distributions to Unitholders.
- Diversify sources of funding and spread out debt maturity profile to reduce concentration risks.
- Negotiate favourable credit facilities and terms to fund business operations.
- Monitor risk exposure closely to ensure effectiveness of policies against evolving market conditions.

Chairman’s Statement

The Manager will continue to seek growth opportunities while maintaining its proactive asset management and prudent capital management approach to capture value from the data centre industry.



Chan Hon Chew
Chairman

Dear Unitholders,

2016 was a good year for Keppel DC REIT. Against a volatile macroeconomic backdrop, the Manager maintained its focused investment strategy through a combination of proactive asset management and prudent capital management approach to capture value from the data centre industry, which had been propelled by global trends and the growth of data creation and storage needs.

During the year, Keppel DC REIT marked several milestones. The Manager held its first annual general meeting and convened an extraordinary general meeting with its Unitholders to seek approval for the proposed acquisition of a 90% interest in Keppel DC Singapore 3 (KDC SGP 3). The Manager also widened its geographical footprint with three announced acquisitions and successfully closed its first equity

Key Performance 2016

Distributable income for the financial year was \$61.0 million, 4.0% above the IPO Forecast and 6.3% higher than the preceding year.

Grew portfolio with three announced acquisitions during the year, including investments in two new cities, Milan in Italy and Cardiff in the United Kingdom, as well as the acquisition of a 90% interest in KDC SGP 3.

Distribution yield of 6.60% based on the IPO price of \$0.93 per Unit was lower than the IPO Forecast mainly due to the impact of the preferential offering in November 2016.

Adjusted distribution yield would have been 7.18%, above the IPO Forecast of 7.15%, excluding the impact of the preferential offering, the later completion of KDC SGP 3’s acquisition and the one-off property tax refund in 3Q 2016.

fund raising with the preferential offering oversubscribed. The REIT’s vision and mission statements were established in the year, articulating its ambition and aim to deliver sustainable value to stakeholders.

Delivering Resilient Value

I am pleased to report that Keppel DC REIT achieved \$61.0 million of distributable income for the financial year ended 31 December 2016, exceeding the IPO Forecast by 4.0% and higher than the prior financial year by 6.3%.

Total distribution per Unit (DPU) for the financial year was 6.14 cents, while distribution yield was 6.60% based on the IPO price of \$0.93 per Unit. DPU was lower than the IPO Forecast and prior financial year mainly due to the impact of the 242.0 million new Units listed from the pro-rata preferential offering in November 2016, which were entitled to the distributable income for 2H 2016.

Adjusted DPU for FY 2016 would have been 6.68 cents, 0.5% higher than the IPO Forecast and 2.6% higher than FY 2015, excluding the impact of the pro-rata preferential offering, the later completion of KDC SGP 3’s acquisition as well as the one-off property tax refund in 3Q 2016. Accordingly, adjusted distribution yield for FY 2016 would have been 7.18%, above the IPO Forecast of 7.15%.

Distributable income exceeded the IPO Forecast mainly due to the one-off property tax refund, contributions from Intellicentre 2 Data Centre, higher finance income, as well as lower property-related and other expenses. These were partially offset by lower income from Keppel DC Dublin 1 and the Singapore properties.

Growing Portfolio

The Manager remains committed to its pursuit of accretive acquisitions that complement and strengthen Keppel DC REIT’s portfolio. In 2016, the Manager extended its footprint to new data centre hubs while maintaining a resilient portfolio with a diversified geographical reach, well-established clientele and long portfolio weighted average lease expiry (WALE).

Three acquisitions were announced during the year, which were investments in two new cities, Milan in Italy and Cardiff, the capital of Wales in the

United Kingdom, as well as the acquisition of a 90% interest in KDC SGP 3.

The addition of the Milan and Cardiff data centres to the portfolio expanded the REIT’s geographical footprint to nine cities across seven countries. With long master leases, the acquisitions enhanced income stability for the portfolio and provided portfolio rebalancing. As at 31 December 2016, portfolio WALE was 9.6 years while portfolio occupancy stood at 94.4%. The portfolio has a mix of master-leased facilities with stable long leases, as well as colocation facilities comprising diversified clients with shorter and staggered lease expiries.

Assets under management as at 31 December 2016 was approximately \$1.20 billion and comprised 11 data centres, excluding maincubes Data Centre which is under development by the vendor in Germany, and KDC SGP 3. The acquisition of KDC SGP 3 was legally completed on 20 January 2017. The facility is the REIT’s third asset in Singapore and will further strengthen the REIT’s foothold in the data centre hub. Including KDC SGP 3, Keppel DC REIT’s portfolio will comprise 12 data centres with a combined value of approximately \$1.40 billion.

The Manager will continue to seek growth opportunities while maintaining its proactive asset management approach to increase returns from its properties.

Optimising Returns

Since the REIT’s listing, the Manager has been consistently adopting a prudent capital management approach to mitigate the effects of interest rate and foreign currency fluctuations. This has proven to be beneficial amidst market volatilities in the past two years and has enhanced the stability of the REIT’s distributions.

As at 31 December 2016, interest rates of the long-term loans have been substantially locked in with interest rate swaps, while the REIT’s forecasted foreign-sourced distribution has been hedged up to 1H 2018 with foreign currency forward contracts. There is also natural hedging with borrowings in currencies that match the corresponding investments.

Distribution per Unit

6.14cts

DPU was below the IPO Forecast and prior financial year mainly due to the impact of the preferential offering during the year.

Aggregate Leverage

28.3%

Aggregate leverage remained low, allowing comfortable debt headroom and financial flexibility to pursue growth opportunities.

Chairman's Statement

Since the REIT's listing, the Manager has been consistently adopting a prudent capital management approach to mitigate the effects of interest rate and foreign currency fluctuations.

Following the preferential offering of approximately 242.0 million new Units in 4Q 2016, the REIT's aggregate leverage decreased to 28.3% as at 31 December 2016, well below the 45% leverage limit imposed by the Monetary Authority of Singapore. This provides the REIT with a comfortable debt headroom and financial flexibility to pursue future growth opportunities.

The Manager believes that maintaining a healthy balance sheet supports the REIT's capital requirements and is a key consideration in the clients' choice of data centres. Given the mission-critical nature of data centres, clients seek stable and financially-strong partners which can support their long-term data centre requirements and growth plans.

Looking Ahead

The Manager continues to see growth opportunities in the data centre industry which is driven by the expanding demands of the digital economy, massive-scale cloud providers and data centre outsourcing requirements. With its established track record and global client base, Keppel DC REIT is well positioned to tap the potential of the industry.

During the year, 50% of Keppel Telecommunications & Transportation Ltd's (Keppel T&T) interest in the Manager was consolidated under Keppel Capital Holdings Pte. Ltd. (Keppel Capital), along with Keppel REIT Management Limited, Alpha Investment Partners Limited (Alpha) and Keppel Infrastructure Fund Management Pte. Ltd. With the consolidation, the REIT stands to benefit from the enlarged asset management platform as a member of Keppel Capital. Synergies derived from the enhanced operational efficiencies and the access to a larger pool of accredited investors will place the Manager in a stronger position to source for deals accretive to its portfolio, as well as explore co-investment opportunities through Keppel Capital.

Keppel T&T remains committed to support the REIT's growth as its Sponsor with a 50% interest in the Manager. The REIT will be able to continue leveraging the Sponsor's development expertise, operational capabilities and track record in this industry.

Committing to Sustainability

Keppel DC REIT is committed to sustainable growth in the pursuit of long-term value creation for all its

As at 31 December 2016, the REIT had a portfolio valued at approximately \$1.20 billion, comprising 11 data centres strategically located in key data centre hubs.



Keppel DC REIT is committed to sustainable growth in the pursuit of long-term value creation for all its stakeholders.

stakeholders. To communicate its sustainability approach, the REIT has produced a Sustainability Report within this Annual Report. The Sustainability Report was prepared in accordance with the Global Reporting Initiative (GRI) guidelines.

The alignment with the internationally-recognised GRI standards is part of the Manager's efforts in gearing towards the Singapore Exchange's mandated requirement for listed entities to report their sustainability performance by 2018.

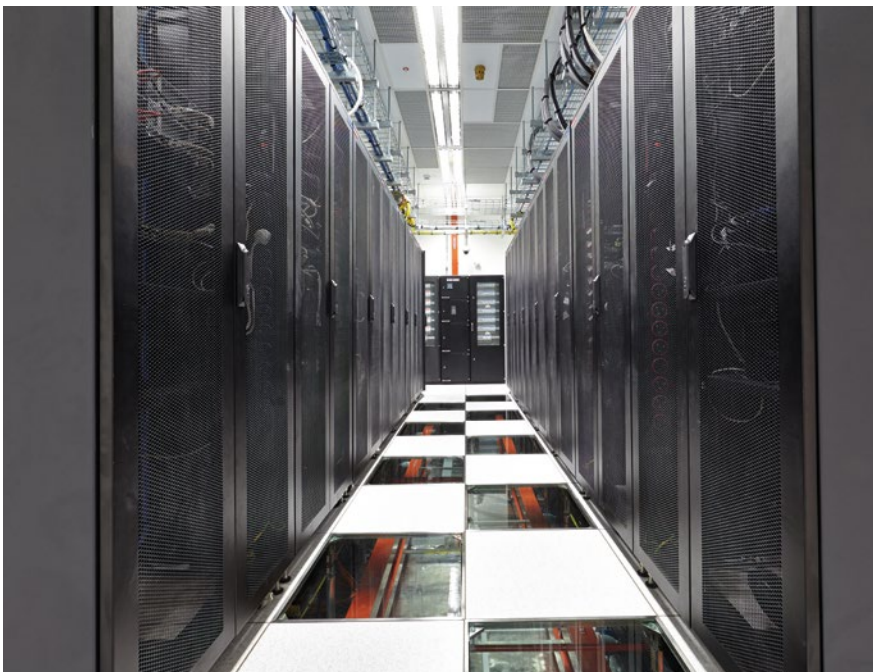
Acknowledgements

On behalf of the Board, we welcome Ms Christina Tan to the Board as a non-executive and non-independent director. Christina is the Chief Executive Officer of Keppel Capital and Managing Director of Alpha. Her wealth of expertise and experience will benefit the REIT as it strives for growth.

I would like to take the opportunity to thank our Unitholders, business associates and clients for their ongoing support and confidence in the past two years since the REIT's listing. I would also like to extend my appreciation to my fellow Board members, the management team and staff for their dedication and valuable contributions. Spurred by our newly minted vision and mission, we look forward to further capturing opportunities from the growing data centre industry.



Chan Hon Chew
Chairman
15 February 2017



The Manager is well positioned to tap the potential of the data centre industry.

Group Financial Highlights

Results Highlights and Ratios

	2016 Actual \$'000	2016 Forecast \$'000	Change %	2015 Actual \$'000
Gross revenue	99,139	102,510	(3.3)	102,462
Net property income	90,936	87,004	4.5	86,872
Distributable income ⁽¹⁾	61,048	58,710	4.0	57,440
Distribution per Unit (DPU) ⁽²⁾ (cents)	6.14	6.65	(7.7)	6.51
Annualised distribution yield ⁽²⁾ (%)				
– Initial Public Offering (IPO) price of \$0.930	6.60	7.15	(55 bps)	7.00
– Closing price of \$1.185 on last trading day of 2016	5.18	5.61	(43 bps)	5.49
Adjusted DPU ⁽²⁾ (cents)	6.68	6.65	0.5	6.51
Adjusted distribution yield ⁽²⁾ (%)				
– IPO price of \$0.930	7.18	7.15	3 bps	7.00
– Closing price of \$1.185 on last trading day of 2016	5.64	5.61	3 bps	5.49
Weighted average all-in interest rate for the period (% per annum)	2.3	3.1	(80 bps)	2.5
Interest coverage ratio (times)	9.4	5.6	Nm	10.1

Balance Sheet Highlights and Ratios

	As at 31 December 2016 \$'000	As at 31 December 2015 \$'000	Change %
Investment properties ⁽³⁾	1,225,938	1,102,685	11.2
Total assets ⁽³⁾	1,582,999	1,211,171	30.7
Gross borrowings ⁽⁴⁾⁽⁵⁾	(439,321)	(341,848)	28.5
Deferred payments ⁽⁴⁾	–	(3,042)	(100.0)
Finance lease liabilities ⁽³⁾⁽⁴⁾	(32,398)	(31,327)	3.4
Total liabilities	(509,131)	(397,683)	28.0
Unitholders' funds	1,073,525	813,114	32.0
Units in issue ('000)	1,125,210	882,977	27.4
Net asset value (NAV) per Unit (\$)	0.954	0.921	3.6
Adjusted NAV per Unit, excluding distributable income (\$)	0.926	0.888	4.3
Closing price on the last trading day of the financial year (\$)	1.185	1.015	16.7
Premium to NAV ⁽⁶⁾ (%)	24.2	10.2	14.0pp
Aggregate leverage ⁽⁴⁾ (%)	28.3	29.2	(90 bps)

⁽¹⁾ The distributable income to Unitholders is based on 100% of the taxable income available for distribution to Unitholders.

⁽²⁾ Excluding the impact of the 242.0 million new Units listed on 15 November 2016 pursuant to the pro-rata preferential offering, the later completion of Keppel DC Singapore 3 acquisition and the one-off property tax refund received in 3Q 2016, adjusted DPU would have been 6.68 cents, higher than IPO Forecast and 2015 Actual. Adjusted distribution yield would also be correspondingly higher than the IPO Forecast and 2015 Actual.

⁽³⁾ Investment properties and total assets include the carrying value of the finance lease liabilities pertaining to the land rent commitments for isseek Data Centre and Keppel DC Dublin 1 and excludes Keppel DC Singapore 3 as the acquisition was announced on 17 October 2016 and completed on 20 January 2017.

⁽⁴⁾ Aggregate leverage is computed based on gross borrowings and deferred payments over total deposited properties (the Group's total assets) as stipulated in the Property Funds Appendix in the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore, without considering finance lease liabilities pertaining to land rent commitments. If these finance lease liabilities pertaining to land rent commitments were included, the aggregate leverage would be 29.8% (31 December 2015: 31.1%).

⁽⁵⁾ Gross borrowings relates to bank borrowings drawn down from loan facilities.

⁽⁶⁾ Based on NAV as at 31 December 2016 and 31 December 2015.

pp = percentage points
bps = basis points
Nm = Not meaningful

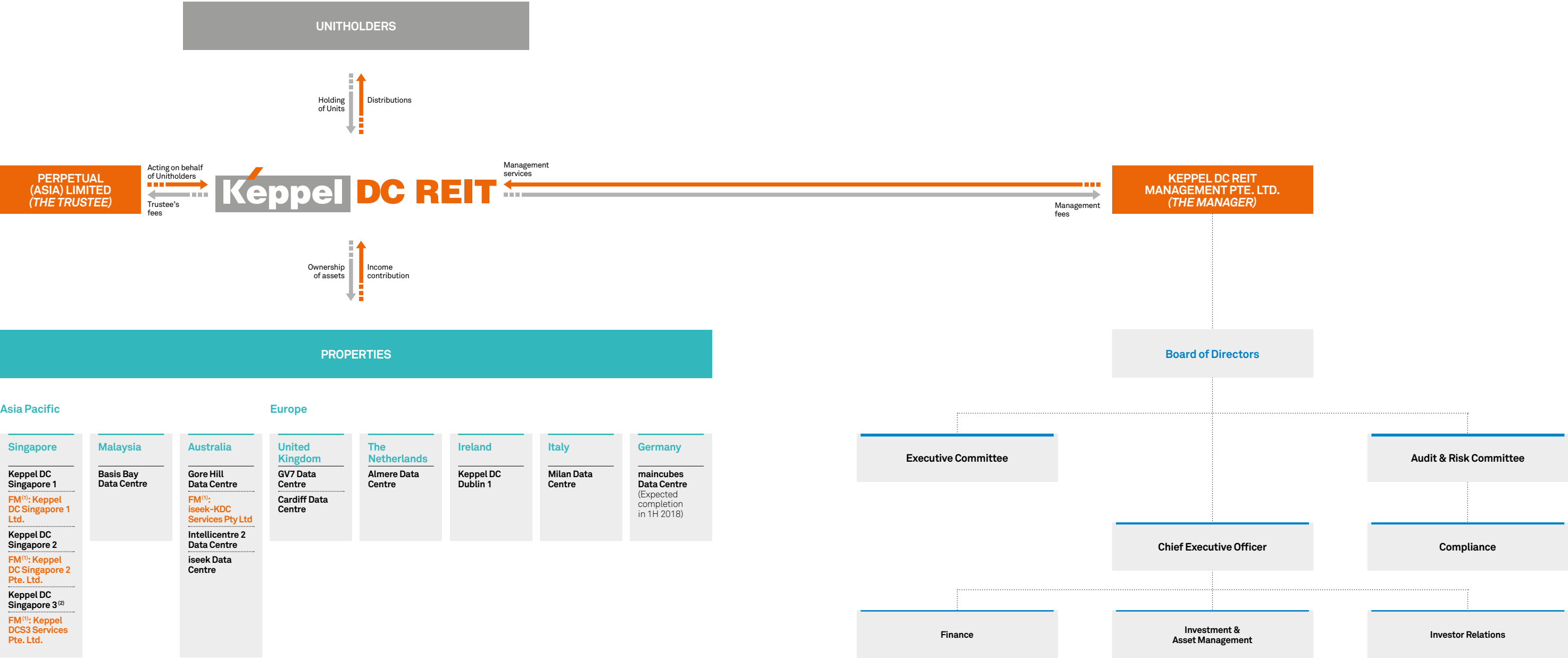
Group Quarterly Results

	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Total
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000
Gross Revenue									
2016 Actual	24,771	25	24,865	25	22,663	23	26,840	27	99,139
2016 Forecast	25,488	25	25,488	25	25,767	25	25,767	25	102,510
2015 Actual	25,928	25	26,027	25	25,743	25	24,764	25	102,462
Net Property Income									
2016 Actual	21,186	23	22,105	24	22,703⁽¹⁾	25	24,942	28	90,936
2016 Forecast	21,633	25	21,633	25	21,869	25	21,869	25	87,004
2015 Actual	21,729	25	21,925	25	21,373	25	21,845	25	86,872
Distributable Income									
2016 Actual	14,747	24	14,749	24	16,782⁽¹⁾	28	14,770	24	61,048
2016 Forecast	14,598	25	14,598	25	14,758	25	14,756	25	58,710
2015 Actual	14,206	25	14,272	25	14,480	25	14,482	25	57,440
DPU (cents)⁽²⁾									
2016 Actual	1.67	27	1.67	27	1.49⁽¹⁾	24	1.31	22	6.14
2016 Forecast	1.65	25	1.66	25	1.67	25	1.67	25	6.65
2015 Actual	1.61	25	1.62	25	1.64	25	1.64	25	6.51

⁽¹⁾ 3Q 2016 includes a one-off property tax refund.

⁽²⁾ Total DPU for 2016 is lower than IPO Forecast and 2015 Actual. Excluding the impact of the 242.0 million new Units listed on 15 November 2016 pursuant to the pro-rata preferential offering, the later completion of Keppel DC Singapore 3 acquisition and the one-off property tax refund received in 3Q 2016, the adjusted DPU would have been 6.68 cents, higher than IPO Forecast and 2015 Actual.

Trust and Organisation Structure



Notes:
⁽¹⁾ The Facility Managers (FM) are appointed pursuant to the facility management agreements entered into for the respective properties.
⁽²⁾ The acquisition of a 90% interest in Keppel DC Singapore 3 as announced on 17 October 2016 and legally completed on 20 January 2017.

Board of Directors



Mr Chan Hon Chew age 51
Chairman, Non-Executive and Non-Independent Director

Date of first appointment as a director:

18 November 2014

Length of service as a director

(as at 31 December 2016):

2 years 2 months

Board Committee(s) served on:

Executive Committee (Chairman);
Audit and Risk Committee (Member)

Academic & Professional Qualification(s):

Bachelor of Accountancy (Honours), National University of Singapore; CFA® Charterholder; Member of the Institute of Chartered Accountants Australia and Institute of the Singapore Chartered Accountants

Present Directorships (as at 1 January 2017):

Listed companies

Keppel Telecommunications & Transportation Ltd;
KrisEnergy Ltd

Other principal directorships

Keppel Infrastructure Holdings Pte Ltd;
Keppel Offshore & Marine Ltd; Singapore
Tianjin Eco-City Investment Holdings Pte Ltd

Major Appointments (other than directorships):

Chief Financial Officer,
Keppel Corporation Limited

Past Directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):

Tiger Airways Holdings Limited; Virgin Atlantic Limited (Alternate Director); Virgin Atlantic Airways Limited (Alternate Director); Virgin Travel Group Limited (Alternative Director); Singapore Aviation & General Insurance Company (Pte) Ltd; RCMS Properties Private Limited

Others:

Nil



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

Date of first appointment as a director:

18 November 2014

Length of service as a director

(as at 31 December 2016):

2 years 2 months

Board Committee(s) served on:

Audit and Risk Committee (Chairman)

Academic & Professional Qualification(s):

Bachelor of Business Administration, University of Singapore; Master of Business Administration, University of New South Wales; Master of Social Science (Applied Economics), University of Singapore

Present Directorships (as at 1 January 2017):

Listed companies

Keppel REIT Management Limited
(the manager of Keppel REIT)

Other principal directorships

Icurrencies Pte Ltd

Major Appointments (other than directorships):

Nil

Past Directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):

Channoil Asia Pte Ltd

Others:

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



Mr Leong Weng Chee age 61
**Non-Executive and
Independent Director**

Date of first appointment as a director:
18 November 2014
**Length of service as a director
(as at 31 December 2016):**
2 years 2 months

Board Committee(s) served on:
Executive Committee (Member)

Academic & Professional Qualification(s):
Bachelor of Architecture (Honours), National
University of Singapore; Master in Design
Studies (Finance, Law and Real Estate),
Harvard University

Present Directorships (as at 1 January 2017):
Listed companies
Nil

Other principal directorships
Nil

Major Appointments (other than directorships):
Nil

**Past Directorships held over the preceding
5 years (from 1 January 2012 to
31 December 2016):**
Celestine Management Private Limited

Others:
Former Chief Executive Officer (Real Estate),
OUE Ltd; Former Chief Executive Officer,
Cambridge Industrial Trust Management Ltd
(the manager of Cambridge Industrial Trust);
Former Director/Managing Director
(Developments), SC Global Developments Ltd



Mr Lim Chin Hu age 58
**Non-Executive and
Independent Director**

Date of first appointment as a director:
18 November 2014
**Length of service as a director
(as at 31 December 2016):**
2 years 2 months

Board Committee(s) served on:
Executive Committee (Member)

Academic & Professional Qualification(s):
BSc, La Trobe University (Australia);
Fellow, Singapore Institute of Directors

Present Directorships (as at 1 January 2017):
Listed companies
Kulicke & Soffa Industries Inc. (NASDAQ)

Other principal directorships
Eastern Health Alliance Pte Ltd; Citibank
Singapore Limited; Heliconia Capital
Management Pte Ltd

Major Appointments (other than directorships):
Managing Partner, Stream Global Pte Ltd;
Director, G-Able (Thailand) Ltd; Member,
Data Protection Advisory Committee,
Infocommunications Media Development
Authority of Singapore (IMDA); Member,
Listing Advisory Committee (LAC) of Singapore
Exchange Ltd

**Past Directorships held over the preceding
5 years (from 1 January 2012 to
31 December 2016):**
Singapore Institute of Directors (SID);
S I2I Limited; Telstra Limited (ASX)

Others:
Nil



Mr Dileep Nair age 66
**Non-Executive and
Independent Director**

Date of first appointment as a director:
18 November 2014
**Length of service as a director
(as at 31 December 2016):**
2 years 2 months

Board Committee(s) served on:
Audit and Risk Committee (Member)

Academic & Professional Qualification(s):
Bachelor of Engineering, McGill University;
Master in Public Administration,
Harvard University

Present Directorships (as at 1 January 2017):
Listed companies
Thakral Corporation Ltd; Singapore
Reinsurance Corporation Ltd

Other principal directorships
Agri-Food Veterinary Authority of Singapore

Major Appointments (other than directorships):
Nil

**Past Directorships held over the preceding
5 years (from 1 January 2012 to
31 December 2016):**
Nil

Others:
Former Ambassador to the Lao People's
Democratic Republic; Former Consul-General
to the Emirate of Dubai; Former Under-
Secretary-General (Internal Oversight
Services), United Nations; Former Managing
Director, DBS Bank; Former Chief Executive
Officer, Post Office Savings Bank of Singapore;
Former High Commissioner to the Republic
of Ghana

Board of Directors



Mr Richard Teo Cheng Hiang age 61
Non-Executive and Independent Director

Date of first appointment as a director:

18 November 2014

Length of service as a director

(as at 31 December 2016):

2 years 2 months

Board Committee(s) served on:

Audit and Risk Committee (Member)

Academic & Professional Qualification(s):

Bachelor of Science and Bachelor of Architecture (First Class Honours), University of Newcastle; Master of Business Administration, National University of Singapore

Present Directorships (as at 1 January 2017):

Listed companies

Viva Industrial Trust Management Pte Ltd and Viva Asset Management Pte Ltd (the managers of Viva Industrial Trust)

Other principal directorships

Nil

Major Appointments (other than directorships):

Nil

Past Directorships held over the preceding

5 years (from 1 January 2012 to

31 December 2016):

International Healthway Corporation Limited; Healthway Medical Development (Private) Limited; Mahogany Global Advisors LLP

Others:

Former Executive Vice President, GIC Real Estate; Former President (REIT & Private Clients) & President (Asset Management), Pacific Star Group



Dr Tan Tin Wee age 55
Non-Executive and Independent Director

Date of first appointment as a director:

18 November 2014

Length of service as a director

(as at 31 December 2016):

2 years 2 months

Board Committee(s) served on:

Executive Committee (Member)

Academic & Professional Qualification(s):

Bachelor of Arts (Natural Science Tripos majoring in Biochemistry), University of Cambridge; MSc (Applied Molecular Biology and Biotechnology), University of London; PhD (Recombinant Chlamydial Vaccines), University of Edinburgh

Present Directorships (as at 1 January 2017):

Listed companies

Nil

Other principal directorships

iGates Bioinnovation Pte Ltd; Knorex Pte Ltd

Major Appointments (other than directorships):

Director, National Supercomputing Centre, Singapore; Chairman of A*STAR Computational Resource Centre (ACRC); Associate Professor, Department of Biochemistry, National University of Singapore

Past Directorships held over the preceding

5 years (from 1 January 2012 to

31 December 2016):

Keppel Telecommunications & Transportation Ltd; Asia Pacific Bioinformatics Network Ltd

Others:

Founding principal investigator of the Singapore Advanced Research and Education Network (SINGAREN); Founder of multilingual Internet domain name system (IDN); Former Chairman of ASEAN Sub-Committee on Biotechnology (SCB); Former Chairman of the Asia Pacific Network Group (APNG); Former President of the Association for Medical and Bioinformatics Singapore (AMBIS); Former three-term Board Director of the International Society for Computational Biology (ISCB); Former Master of Eusoff Hall, NUS; Internet Hall of Fame Inaugural Inductee 2012 of the Internet Society; Former Founding Secretariat, Asia Pacific Bioinformatics Network and International Conference on Bioinformatics



Mr Thomas Pang Thieng Hwi age 52
**Non-Executive and
Non-Independent Director**

Date of first appointment as a director:
18 November 2014
**Length of service as a director
(as at 31 December 2016):**
2 years 2 months

Board Committee(s) served on:
Nil

Academic & Professional Qualification(s):
Bachelor of Arts (Engineering) and Master
of Arts (Honorary Award), University of
Cambridge (UK)

Present Directorships (as at 1 January 2017):
Listed companies
Keppel Telecommunications & Transportation
Ltd; SVOA Public Company Ltd

Other principal directorships
Asia Airfreight Terminal Company Limited;
Computer Generated Solutions, Inc.;
Indo-Trans Keppel Logistics Vietnam Co. Ltd.;
Keppel Anhui Food Logistics Park Pte. Ltd.;
Keppel Capital Holdings Pte. Ltd.; Keppel Data
Centres Pte. Ltd.; Keppel Data Centres Holding
Pte. Ltd.; Keppel DC Singapore 2 Pte. Ltd.;
Keppel Jilin Food Logistics Park Pte. Limited;
Keppel Logistics Pte Ltd; Radiance
Communications Pte Ltd

Major Appointments (other than directorships):
Chief Executive Officer, Keppel
Telecommunications & Transportation Ltd

**Past Directorships held over the preceding
5 years (from 1 January 2012 to
31 December 2016):**
Various subsidiaries and associated
companies of Keppel Telecommunications &
Transportation Ltd, Keppel DC REIT and
Keppel Infrastructure Trust

Others:
Nil



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

Date of first appointment as a director:
15 September 2016
**Length of service as a director
(as at 31 December 2016):**
4 months

Board Committee(s) served on:
Executive Committee (Member)

Academic & Professional Qualification(s):
Bachelor of Accountancy (Honours),
National University of Singapore;
CFA® Charterholder

Present Directorships (as at 1 January 2017):
Listed companies
Keppel REIT Management Limited (the
manager of Keppel 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):
Chief Executive Officer, Keppel Capital Holdings
Pte. Ltd.; Managing Director, Alpha Investment
Partners Limited

**Past Directorships held over the preceding
5 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; AIBJ 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.

Others:
Nil

Senior Management



Mr Chua Hsien Yang age 39
Chief Executive Officer

Mr Chua has extensive experience in real estate funds management and the hospitality industries, with more than 15 years of experience in mergers and acquisitions, real estate investments, fund management, business development and asset management in the real estate sector within the Asia Pacific region.

Prior to joining the Manager, Mr Chua held the position of Senior Vice President of Keppel REIT Management, the manager of Keppel REIT, since May 2008, where he headed the investment team.

From January 2006 to April 2008, Mr Chua was with Ascott Residence Trust Management Limited, the manager of Ascott Residence Trust, as Director of Business Development and Asset Management. From October 2001 to December 2005, Mr Chua was with Hotel Plaza Limited (now known as Pan Pacific Hotels Group Limited) as Assistant Vice President of Asset Management where he was responsible for the business development and asset management activities of the group-owned properties.

Mr Chua holds a Bachelor of Engineering (Civil) from the University of Canterbury and a Master of Business Administration from the University of Western Australia.

Present directorships (as at 1 January 2017):

Basis Bay Capital Management Sdn Bhd; Boxtel Investments Limited; KDCR Ireland Pte Ltd; KDCR (Ireland) Limited; Greenwich View Place Limited; Keppel DC REIT Fin. Company Pte. Ltd.; KDCR Almere B.V.; KDCR Australia Pte. Ltd.; KDCR Australia No. 1 Pty Limited; KDCR Australia No. 2 Pty Limited; KDCR GVP Pte. Ltd.; KDCR Netherlands B.V.; KDCR Netherlands 3 B.V.; KDCR Netherlands 4 B.V.; KDCR Netherlands 1 Pte. Ltd.; KDCR Netherlands 2 Pte. Ltd.; KDCR Netherlands 3 Pte. Ltd.; KDCR Netherlands 4 Pte. Ltd.; isseek Facilities Pty Ltd; KDCR 1 Limited; KDCR 2 Limited; KDCR UK Pte. Ltd.; KDCR Cardiff Limited; MarLux S.A.R.L.; BI71 S.R.L

Past directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):

Mirvac 8 Chifley Pty Limited;
Mirvac (Old Treasury) Pty Limited



Mr Andy Gwee age 40
Head of Finance

Mr Gwee has more than 16 years of experience in the accounting, finance and auditing industry.

Prior to joining the Manager, Mr Gwee was formerly Senior Finance Manager of Keppel Corporation, where he assisted the CFO and Group Controller in the Keppel Group's financial and reporting functions.

These included group consolidation, management reporting, statutory and financial reporting, annual group budgeting and certain compliance matters. In addition to these functions, he provided accounting and technical advisory to the various business units of the Keppel Group.

Prior to joining Keppel, Mr Gwee spent 12 years at PricewaterhouseCoopers LLP Singapore in an audit function where he had been the engagement manager for leading clients and local listed groups.

Mr Gwee graduated with a Bachelor of Accountancy, Second Class Honours (Upper Division), from Nanyang Technological University of Singapore. He is a Chartered Accountant (Singapore) and has been a member of the Institute of Singapore Chartered Accountants.

Present directorships (as at 1 January 2017):

Boxtel Investments Limited; Greenwich View Place Limited; Keppel DC REIT Fin. Company Pte. Ltd.; KDCR 1 Limited; KDCR 2 Limited; KDCR Almere B.V.; KDCR Australia Pte. Ltd.; KDCR Australia No. 1 Pty Limited; KDCR Australia No. 2 Pty Limited; KDCR GVP Pte. Ltd.; KDCR Netherlands B.V.; KDCR Netherlands 1 Pte. Ltd.; KDCR Netherlands 2 Pte. Ltd.; KDCR Netherlands 3 Pte. Ltd.; KDCR Netherlands 4 Pte. Ltd.; iseek Facilities Pty Ltd; KDCR UK Pte. Ltd.

Past directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):

Nil



Ms Anthea Lee age 43
Head of Investment and Asset Management

Ms Lee has more than 19 years of experience in real estate investment, business development, asset management and project management.

Prior to joining the Manager, she was Vice President, Investment, at Keppel REIT Management, the manager of Keppel REIT, managing regional investments and divestments since the year of the REIT's listing.

Before joining Keppel Group, she was with JTC Corporation and Ascendas Land, where she was responsible for business development, asset management and project management of industrial and business park facilities and development for approximately 10 years.

Ms Lee graduated with a Bachelor of Science (Estate Management), Second Class Honours (Upper Division) from National University of Singapore and a Master of Science (International Construction Management) from Nanyang Technological University.

Present directorships (as at 1 January 2017):

Nil

Past directorships held over the preceding 5 years (from 1 January 2012 to 31 December 2016):

Nil

Investor Relations

Regular engagement with the investment community forms the core of the Manager's investor relations approach.

Proactive outreach and timely communication form the core of Keppel DC REIT's investor relations. The Manager is committed to uphold sound corporate governance and disclosure to the REIT's investors.

Broad Outreach

In 2016, the Manager continued its engagement with the international investment community with a proactive investor relations programme.

During the year, management had 152 engagements with institutional investors and analysts. These included meetings, conference calls, post-results luncheons and site visits to communicate the REIT's business developments and strategic direction, as well as to help investors better understand data centre operations.

In addition to participating in local conferences and roadshows, the Manager also participated in overseas conferences and roadshows to broaden investor outreach. The Manager travelled to Hong Kong, Tokyo, London, Bangkok and Kuala Lumpur in 2016 to engage global investors and gather feedback.

Proactive Communication

The Manager utilises multiple platforms to enhance its outreach to the investment community.

Following the release of Keppel DC REIT's quarterly results announcements on the

Singapore Exchange, analyst teleconferences were organised to communicate the REIT's developments and growth strategies, as well as to address any queries from analysts.

During the year, Keppel DC REIT entered two new data centre hubs, Milan in Italy and Cardiff in the United Kingdom. The Manager also announced the proposed acquisition of a 90% interest in Keppel DC Singapore 3, which received 99.95% approval from Unitholders at an Extraordinary General Meeting. In addition to the media releases and announcements filed to the Singapore Exchange, the manager also provided slides with the inclusion of key industry data to help the investment community better understand the new markets as well as the rationale for the investments.

The Manager believes in communicating with the investment community in a timely and accurate manner. An investor relations policy is published on the REIT's corporate website and sets out principles and practices which are reviewed regularly.

Investors can subscribe to email alerts on Keppel DC REIT's website to receive prompt notifications of company announcements. The investor relations contact is also listed on the corporate website and press releases to encourage feedback from the investment community.

Research Coverage

Ten equity research houses currently provide research coverage on Keppel DC REIT as at 31 December 2016:

- CIMB
- Citi
- CLSA
- Credit Suisse
- DBS
- Deutsche Bank
- Goldman Sachs
- JP Morgan
- OCBC
- Phillip Capital

Delivering Consistent Value

The REIT continued to create value for its investors against a volatile macroeconomic backdrop.

Keppel DC REIT's Unit price outperformed the Straits Times Index, the FTSE ST Real Estate (RE) and FTSE ST Real Estate Investment Trust (REIT) Indices during the year. Total shareholder return was 26.11% for the year.

Based on the IPO price of \$0.930 per Unit, FY 2016 distribution yield was 6.60%, lower than the IPO Forecast mainly due to the impact of the 242.0 million new Units listed from the pro-rata preferential offering in November 2016. Adjusted distribution yield would have been 7.18%, three basis points above the IPO Forecast of 7.15%, excluding the impact of the pro-rata preferential offering, the later completion of the Keppel DC Singapore 3 acquisition as well as the one-off property tax refund in 3Q 2016.



Senior management engaged with Unitholders at the REIT's inaugural Annual General Meeting.

Significant Events

2016

January

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 Telecommunications & Transportation's interest in the Manager

April

Convened inaugural Annual General Meeting

July

50% interest in the Manager consolidated under Keppel Capital, along with the interests in Keppel REIT Management, Alpha Investment Partners and Keppel Infrastructure Fund Management

August

Announced acquisition of a data centre in Milan, Italy

September

Established a new Board Executive Committee to further advise on strategic direction, business plans, proposed investments, potential divestments, significant contracts and funding strategy

October

Completed acquisition of a data centre in Milan, Italy

Announced and concurrently completed acquisition of a data centre in Cardiff, the capital city of Wales within the United Kingdom

Announced proposed acquisition of a 90% interest in Keppel DC Singapore 3

Launched fully underwritten pro-rata preferential offering of 241,988,877 new Units to raise gross proceeds of approximately \$279.5 million

November

Obtained 99.95% approval at an Extraordinary General Meeting for the proposed acquisition of a 90% interest in Keppel DC Singapore 3

Preferential offering was approximately 1.6 times subscribed

2017

January

Completed acquisition of a 90% interest in Keppel DC Singapore 3



Keppel DC REIT's pro-rata preferential offering in connection with the acquisition of a 90% interest in Keppel DC Singapore 3 was 1.6 times subscribed.

Investor Relations

Investor Relations Calendar

The Manager seeks to understand and address concerns from the investment community through regular engagements with investors and analysts.



The Manager is committed to proactive outreach and timely communication through platforms such as its Annual General Meeting.

1Q 2016

4Q & FY 2015 results announcement and analysts teleconference

Distribution payout to Unitholders for 2H 2015

Post-results investors luncheon hosted by DBS

Dispatched inaugural Annual Report to Unitholders

2Q 2016

1Q 2016 results announcement and analysts teleconference

Post-results investors breakfast hosted by Credit Suisse

Convened inaugural Annual General Meeting

dbAccess Asia Conference in Singapore

Citi Asia Pacific Property Conference in Hong Kong

3Q 2016

2Q & 1H 2016 results announcement and analysts teleconference

Distribution payout to Unitholders for 1H 2016

Post-results investors luncheon hosted by JP Morgan

Non-deal roadshow in Kuala Lumpur with CIMB

SGX-Maybank Corporate Day in Bangkok

Daiwa Pan Asia REIT Day in Tokyo

SGX-Morgan Stanley Corporate Day in London

4Q 2016

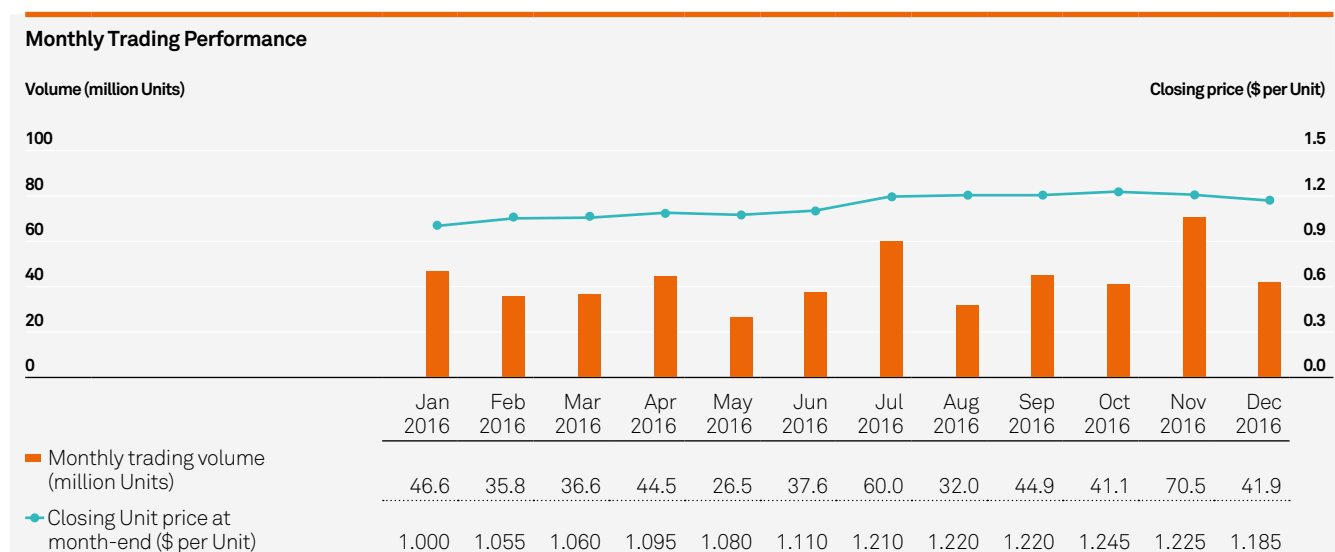
3Q & 9M 2016 results announcement and analysts teleconference

Post-results investors luncheon hosted by Citi

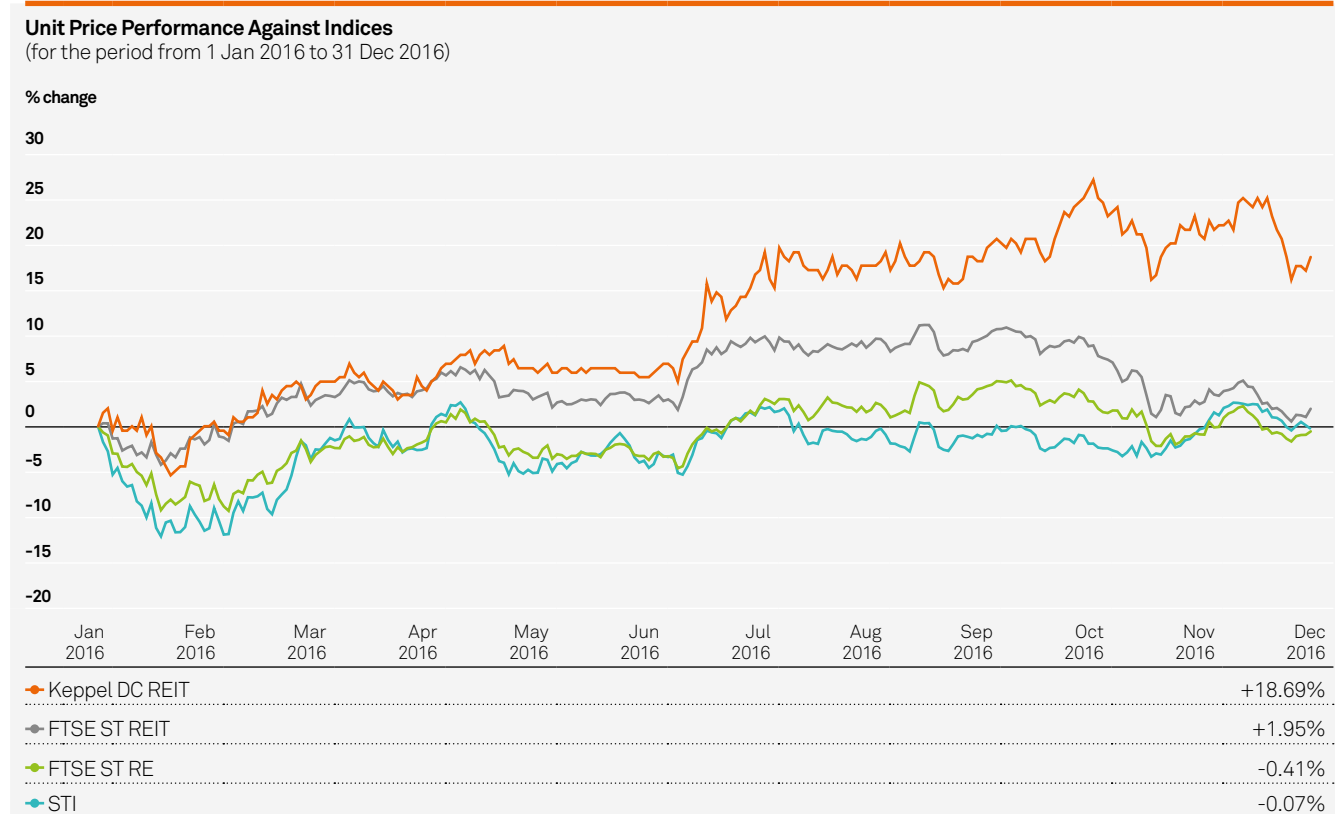
Deal roadshows in Singapore, Hong Kong and Tokyo with DBS and Citi for the Keppel DC Singapore 3 acquisition

Convened Extraordinary General Meeting for the Keppel DC Singapore 3 acquisition

Unit Price Performance



Unit Price Performance		
	2016	2015
Highest closing price (\$)	1.270	1.100
Lowest closing price (\$)	0.960	0.960
Average closing price (\$)	1.130	1.036
Closing price on last trading day (\$)	1.185	1.015
Trading volume (million Units)	518.2	524.8

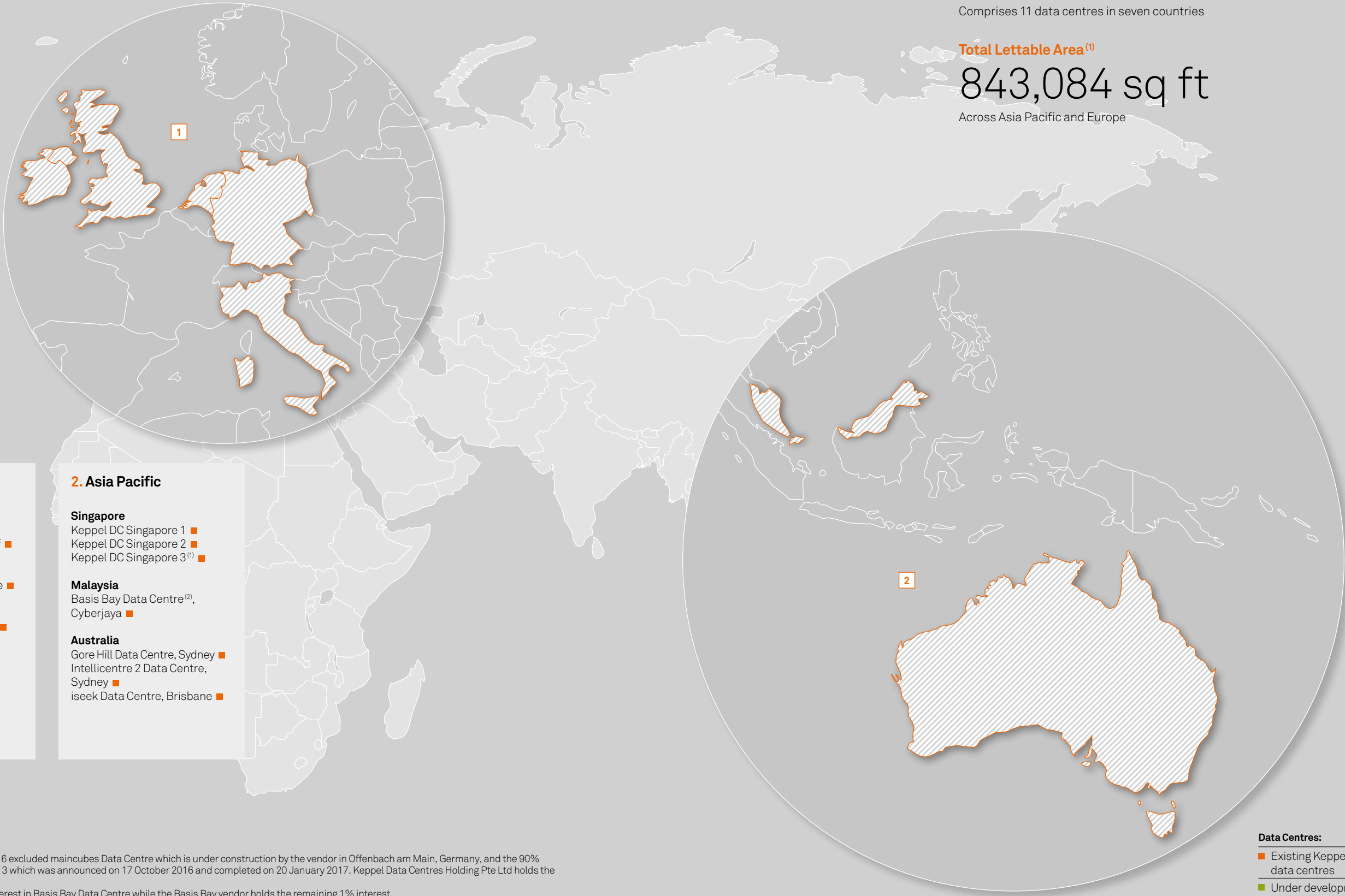


Keppel DC REIT Around the World

Offering Unitholders the opportunity to participate in the growth of the digital economy through a portfolio of data centres across Asia Pacific and Europe.

Assets Under Management⁽¹⁾
Approx.
\$1.20b
Comprises 11 data centres in seven countries

Total Lettable Area⁽¹⁾
843,084 sq ft
Across Asia Pacific and Europe



1. Europe

United Kingdom

GV7 Data Centre, London ■
Cardiff Data Centre, Cardiff ■

The Netherlands

Almere Data Centre, Almere ■

Ireland

Keppel DC Dublin 1, Dublin ■

Italy

Milan Data Centre, Milan ■

Germany

maincubes Data Centre⁽¹⁾,
Offenbach am Main ■

2. Asia Pacific

Singapore

Keppel DC Singapore 1 ■
Keppel DC Singapore 2 ■
Keppel DC Singapore 3⁽¹⁾ ■

Malaysia

Basis Bay Data Centre⁽²⁾,
Cyberjaya ■

Australia

Gore Hill Data Centre, Sydney ■
Intellicentre 2 Data Centre,
Sydney ■
iseek Data Centre, Brisbane ■

Notes:
⁽¹⁾ Portfolio as at 31 December 2016 excluded maincubes Data Centre which is under construction by the vendor in Offenbach am Main, Germany, and the 90% interest in Keppel DC Singapore 3 which was announced on 17 October 2016 and completed on 20 January 2017. Keppel Data Centres Holding Pte Ltd holds the remaining 10%.
⁽²⁾ Keppel DC REIT holds a 99% interest in Basis Bay Data Centre while the Basis Bay vendor holds the remaining 1% interest.

Market Review

Overview



Estimated Growth Rate for New Demand in Singapore

23.6%

New demand in Singapore is estimated to grow at a CAGR of 23.6% between 2014 and 2021.

The underlying growth drivers remain healthy for the global colocation industry.

This report was prepared at end 2016 by BroadGroup Consulting, an independent research and consulting firm specialising in the data centre sector. Within the report, the term 'colocation' is used to describe an outsourced data centre – data centre services provided to multiple third parties, whether as a large, long-term wholesale colocation lease or a small retail colocation offering.

Industry Overview

2016 was a strong year for the global colocation industry. The underlying growth drivers remain healthy from the continued growth in data creation and data storage requirements, to the move towards outsourcing and away from owned data centres.

This growth is underpinned by the rise of the digital economy. Much of this can be directly, or indirectly, linked to the growing shift towards cloud computing. According to BroadGroup Consulting, the global market for cloud services grew by approximately 40% in 2016. This was led by the largest cloud providers, often called the hyperscale players, such as Google and Amazon in the US, and Baidu, Alibaba and Tencent in China. To support the massive rise in usage of their cloud platforms, these players have significantly increased their colocation spending.

Looking ahead, many of these hyperscale players see considerable growth in future years and in emerging technologies. Cloud and internet platforms have revolutionised a number of industries, all of which require huge data centre space. Examples of emerging technologies include the Internet of Things (IoT), Virtual Reality (VR), Artificial Intelligence (AI) and 5G mobile.

Large data centres and colocation sites are typically situated in cities which are capital cities and telecommunications hubs near submarine landing stations. These sites will have strong ecosystems of suppliers, data centre expertise, manpower, telecommunications infrastructure and cloud connectivity.

However, this is gradually evolving as other locations develop similar infrastructure for the development of local data centres. Fast growing economies will also fuel the need for local data centres.

Although there is a risk that cloud players may compete directly with colocation providers, cloud players remain one of the largest and fastest growing client bases for colocation providers. Technology advancement is also an ongoing threat. However, the mission-critical nature of data centres and customers' general



The rise of the digital economy has underpinned growth for the global colocation industry.

reluctance to relocate a data centre means that technology risk is more limited in this industry than in others.

The following 10 cities show strong Compound Annual Growth Rate (CAGR) growth from 2014 to 2021, with strong demand drivers and attractive characteristics as data centre locations.

Singapore

Singapore has long been a key data centre hub in the Asia Pacific region, driven by its strong connectivity, position as a financial hub, concentration of multinational enterprises (MNEs), robust government support and political stability, as well as its attractiveness as an investment location.

The Singapore data centre market saw a rise in demand from hyperscale cloud players in recent years. These players have chosen to locate their data centres in Singapore and to use these sites as a base to support users across Southeast Asia, and potentially further afield, given the country’s position as a regional hub.

The colocation industry in Singapore is well supported by strong vertical market segments such as financial services, MNEs, media, telecommunications and systems integrators, as well as their move towards outsourcing of data centre requirements.

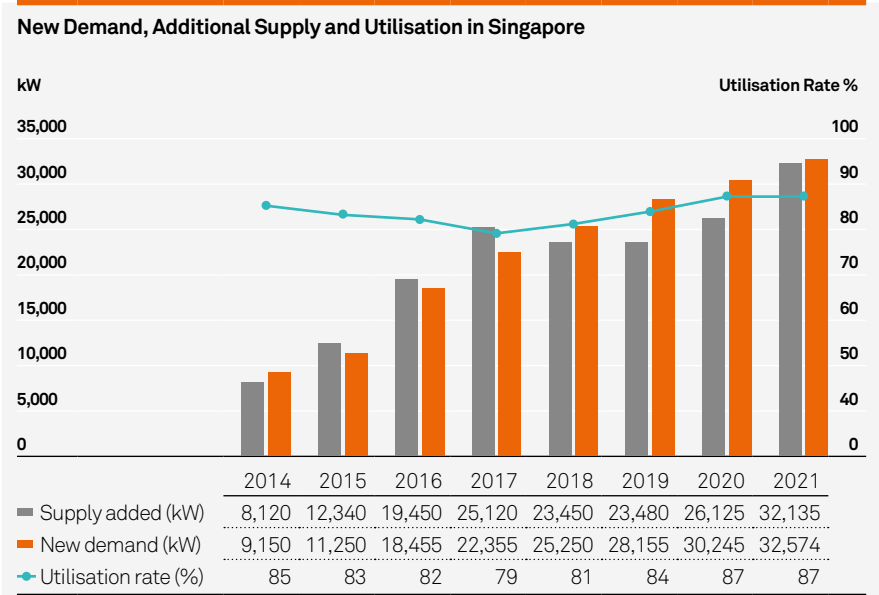
The Singapore government has continued to be supportive of the industry. Recognising the potential

threats to the market, such as power pricing and availability of land, the government has been working to ensure power pricing remains competitive with neighbouring locations. A Data Centre Park development has also been established to enhance Singapore’s position as an infocommunications and media hub by attracting MNEs to set up their headquarters and data centre operations in the city.

Many of the large data centre users in Singapore are choosing to colocate, rather

than build their own facilities, given the wide choices and high-quality sites available. This trend is expected to continue as users find it increasingly difficult to justify a self-built data centre.

The Singapore data centre market saw a rise in demand from hyperscale cloud players in recent years.



The Singapore government continues to ensure the data centre industry’s competitiveness as a regional hub.

Market Review

While there is an increase in supply in the market, new supply is being fit out in phases and absorbed by the demand. In addition, the market remains difficult for new and untested providers.

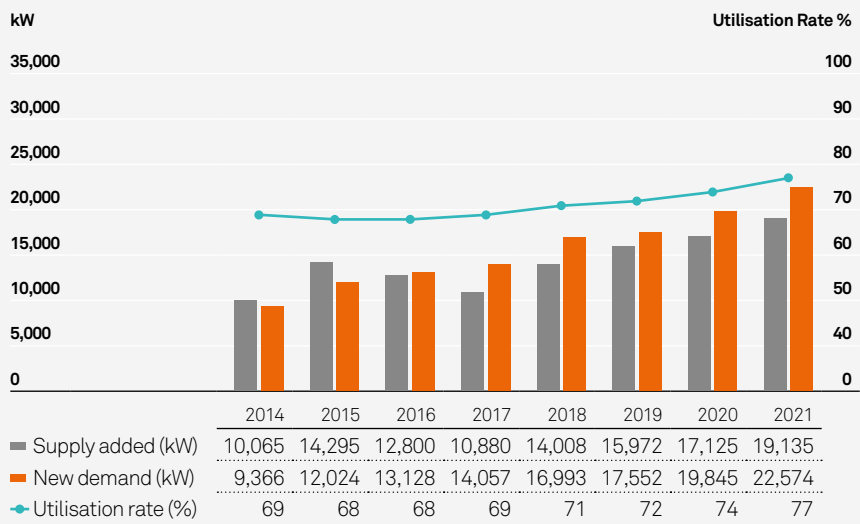
New demand in Singapore is estimated to grow at a CAGR of 23.6% between 2014 and 2021. The average utilisation rate was 82% at end 2016. Utilisation declined in 2016 and is expected to continue into 2017 as new supply continues to enter the market. Notwithstanding this, utilisation is expected to rise in the mid- to long-term, and reach 87% by 2021. Pricing will follow a similar trajectory, facing near-term pressure due to both new supply and larger requirements that command lower prices.

Cyberjaya, Malaysia

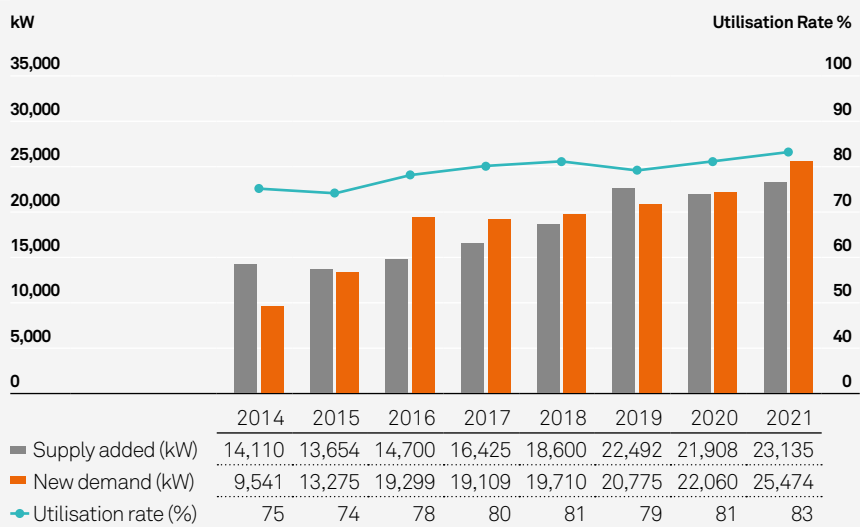
Located 30km south of Kuala Lumpur and occupying an area of approximately 28km², Cyberjaya is the nucleus of Malaysia's Multimedia Super Corridor which hosts more than 2,000 companies focused on technology, multimedia and telecommunications products and services. The site is a purpose-built technology business park that offers tax advantages.

The Malaysian government has been supportive of the data centre industry, seeing it as a key driver for its economy. The government has also sought to develop other technology business parks such as Iskandar, but Cyberjaya remains the main hub.

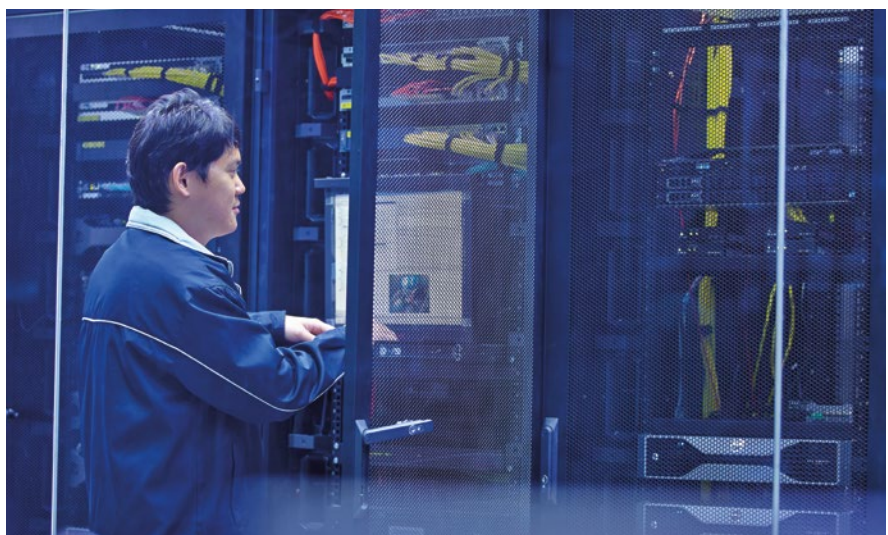
New Demand, Additional Supply and Utilisation in Cyberjaya



New Demand, Additional Supply and Utilisation in Sydney



The data centre industry is seen as a key driver for the Malaysian economy.



While it faces competition from the neighbouring Singapore, the Malaysian data centre market stands to benefit from the growth of its neighbour by offering lower cost alternative disaster recovery and back-up sites to data centre users in Singapore.

Other challenges faced by the Malaysia market include uncertainty over power tariffs and the cost of telecommunications bandwidth. Outsourcing by Malaysian companies also remains at a much lower level than the Asian average.

New demand in Cyberjaya is estimated to grow at a CAGR of 15.8% between 2014 and 2021. The average utilisation rate was 68% at end 2016.

Sydney, Australia

Sydney has performed strongly as the key data centre hub in Australia. As the choice business destination for MNEs, cloud providers and telecommunications companies, Sydney presents an attractive and robust data centre ecosystem.

Recent demand has been led by global cloud players looking to locate in the city, in addition to the financial services, IT firms and systems integrators. The growth of Sydney's data centre industry is further supported by the local and national government's outsourcing of their data centre requirement and adoption of cloud computing.

While land cost and availability continue to pose challenges, Sydney is set to establish itself as a key global cloud computing hub with continued government support and development of the national broadband infrastructure.

New demand in Sydney is estimated to grow at a CAGR of 14.4% between 2014 and 2021. The average utilisation rate was 78% at end 2016.

Brisbane, Australia

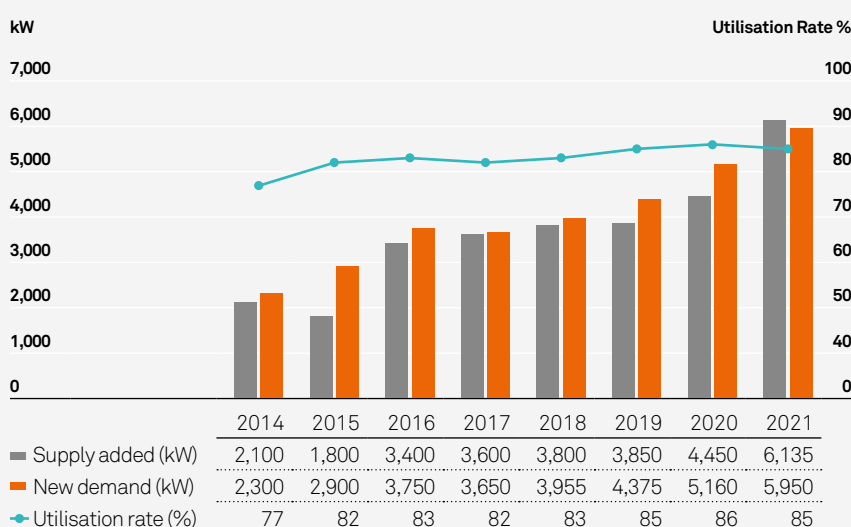
The Brisbane data centre market is the third largest in Australia, behind Sydney and Melbourne. Demand has been mainly driven by local companies as well as corporations seeking a more cost-effective alternative to Sydney.

However, there are signs that this is changing with global telecommunications companies, systems integrators and data centre providers targeting the city. The local government has also been particularly keen to develop IT start-ups in the region, resulting in rising data centre demand.

With pricing at around 15% lower than Sydney, Brisbane has the potential to be a key back-up site to Sydney. While pricing is expected to increase in tandem with utilisation, the gap between Sydney and Brisbane prices is forecast to only decrease slightly.

New demand in Brisbane is estimated to grow at a CAGR of 14.5% between 2014 and 2021. The average utilisation rate was 83% at end 2016.

New Demand, Additional Supply and Utilisation in Brisbane



Sydney is the choice business destination for MNEs, cloud providers and telecommunications companies.

Market Review

London, UK

London is the largest data centre market in Europe, accounting for around 15% of the Western European colocation market.

Reasons for its success include its position as a strong trading and financial hub, second only to New York globally, and the large number of MNEs. Relative to the rest of Europe, London is ahead in terms of cloud adoption and willingness to outsource data centre operations.

The London market is well-established with many global players and telecommunication companies present in the market and connected to the London Internet Exchange.

The impact of Brexit remains uncertain for the UK economy and specific sectors such as finance. Issues such as access to other European markets and data protection regulations weigh on the London data centre market. Nevertheless, Brexit could also create opportunities as more data centre locations may be required as a result of an increase in data centre demand or onshoring of data in the respective countries.

The uncertainty surrounding the impact of Brexit has halted some planned supply and brought about rising utilisation levels in the market. New demand in London is estimated to grow at a CAGR of 9.1% between 2014 and 2021. The average utilisation rate was 81% at end 2016.

Amsterdam, The Netherlands

Amsterdam is one of the four main data centre hubs in Europe, together with London, Frankfurt and Paris. It hosts the internet exchange, AMS-IX, which is competing with DE-CIX in Frankfurt to be the largest in Europe.

Amsterdam is also home to many MNEs and is often the choice location for technology companies in selecting their European headquarters. This has led to the Netherlands being referred to as the digital media hub or the internet capital of Europe.

Recent developments in Amsterdam include major investments by cloud players. There has also been new supply of colocation space, with some of the pan-European players seeing Amsterdam as the most attractive data centre location in Europe. New data centre spots such as the Amsterdam Science Park have also emerged in the city.

Given the strength of its data centre ecosystem and telecommunications infrastructure, Amsterdam will likely retain its key position as the internet hub of Europe. Amsterdam has also been looking to increase the energy efficiency of its local data centres, which has in turn pressured local players to improve their performance.

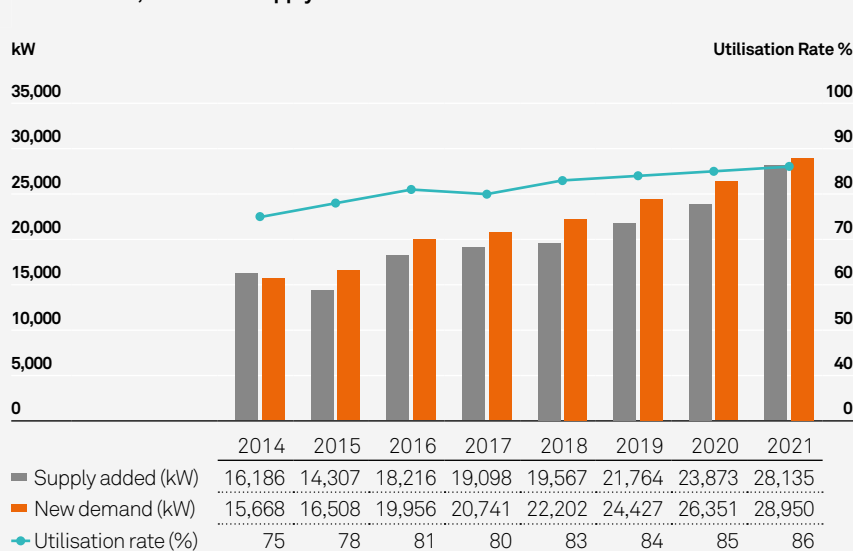
New demand in Amsterdam is estimated to grow at a CAGR of 12.7% between 2014 and 2021. The average utilisation rate was 84% at end 2016.

Dublin, Ireland

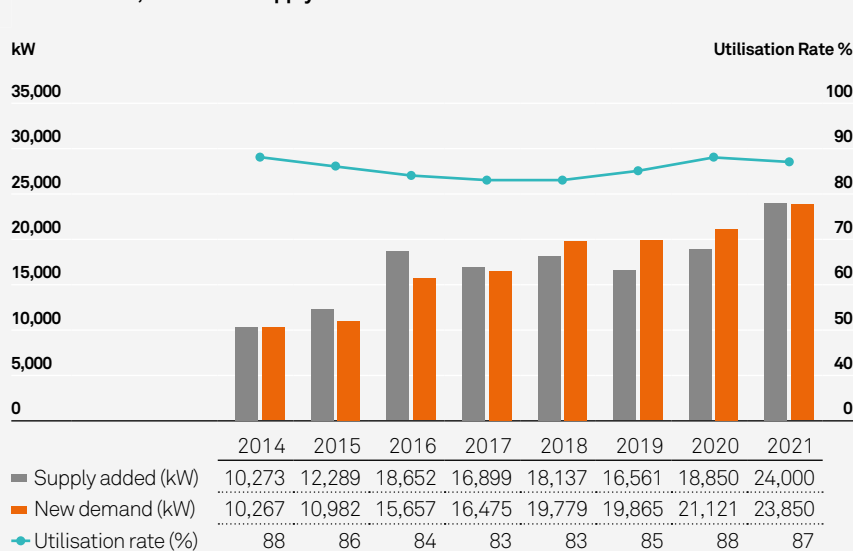
Dublin is an attractive data centre market, in particular to international firms such as US players looking to establish a point of presence in Europe.

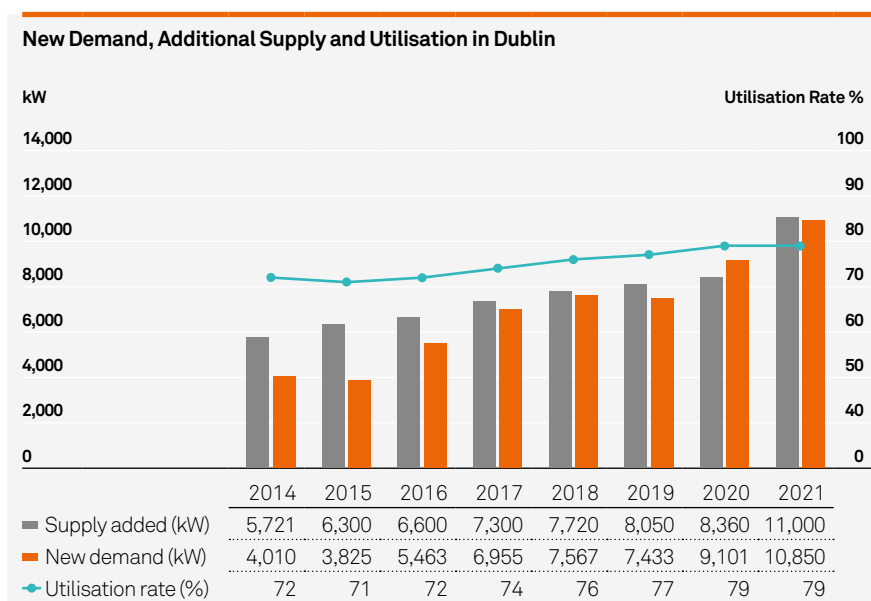
Key market drivers for Ireland include broader attractions such as an educated workforce and lower corporate tax rates compared to other European countries. Industry specific drivers include government support and strong network connectivity.

New Demand, Additional Supply and Utilisation in London



New Demand, Additional Supply and Utilisation in Amsterdam





New data centre demand in Dublin is expected to grow at a CAGR of 15.2% between 2014 and 2021.

The country remains an attractive investment location. Ireland was ranked seventh globally in the World Competitiveness Centre research group report by Swiss-based International Institute for Management Development in 2016.

The Dublin market is well positioned to capture the large data centre demand from US corporations, as well as benefit from any increase in data storage requirements within the EU following Brexit.

New demand in Dublin is estimated to grow at a CAGR of 15.2% between 2014 and 2021.

Utilisation and pricing are expected to increase, reflecting the rising demand in the Dublin market. The average utilisation rate was 72% at end 2016.

Frankfurt, Germany

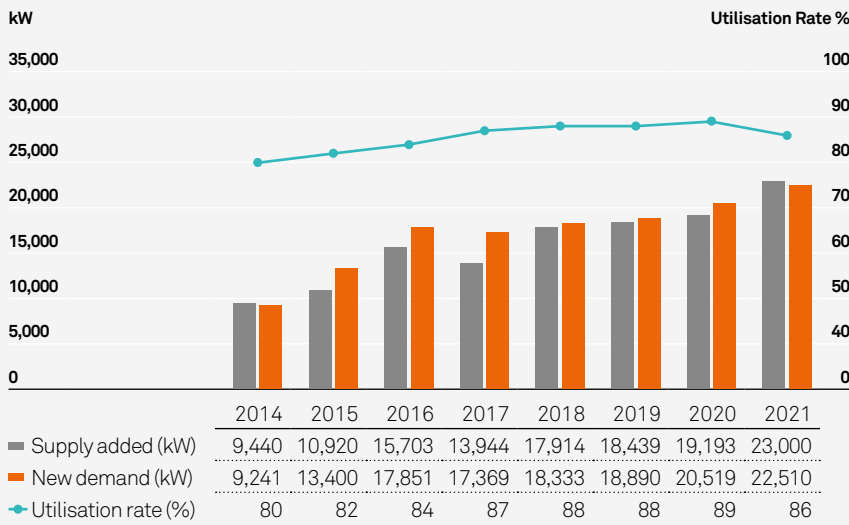
Frankfurt, together with the data centre cluster at Offenbach am Main, is ranked amongst the top European data centre locations with its position as the major financial centre of the largest economy in Europe. Increasingly, Frankfurt has become a key location for cloud players, which contributed to the area's recent investments.



The Dublin market is well positioned to capture the large data centre demand from US corporations.

Market Review

New Demand, Additional Supply and Utilisation in Frankfurt



The data centre market remains robust despite issues such as land availability and cost of power. Factors that drive the growth of the data centre hub include connectivity brought about by the internet exchange, DE-CIX, and efforts of the government to position Frankfurt as a digital hub. Another key driver is a growing preference for local data centres due to data security, privacy and compliance concerns.

New demand in Frankfurt is estimated to grow at a CAGR of 13.1% between 2014 and 2021. Despite major new supply coming online, utilisation and pricing are expected to increase over the forecast period and reach 89% by 2020. The average utilisation rate was 84% at end 2016.

Milan, Italy

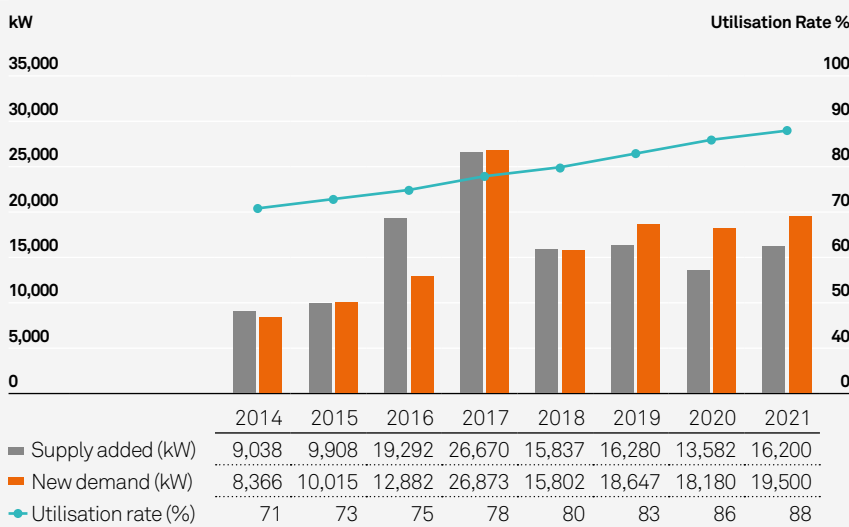
The past year has seen a clear increase in activity in Milan's data centre market, crowning it as the main data centre hub of Italy.

Users with large requirements have attracted new builds, while global cloud players have been exploring the market and are believed to be looking to invest in the near term. Milan has also developed leadership in areas such as e-health and is shaping up to be a broader IT hub.

While challenges exist in terms of economic outlook, political stability and corporates' lower adoption of data centre outsourcing, the Italian market presents opportunities with data centre demand growth forecast to outpace supply growth.

New demand in Milan is estimated to grow at a CAGR of 12.5% between 2014 and 2021. Pricing is expected to increase gradually as utilisation rate increases over the forecast period. The average utilisation rate was 75% at end 2016.

New Demand, Additional Supply and Utilisation in Milan



The Frankfurt data centre market remains robust and has become a key location for cloud players.

Cardiff, UK

Cardiff is one of the emerging digital clusters that hosts an internet exchange point outside of London. The city is undergoing a digital transformation, driven by strong government support and a growing business community.

Other advantages that Cardiff has include open access telecommunications which brings reduced costs, and the rise of Cardiff as a business and telecommunications hub.

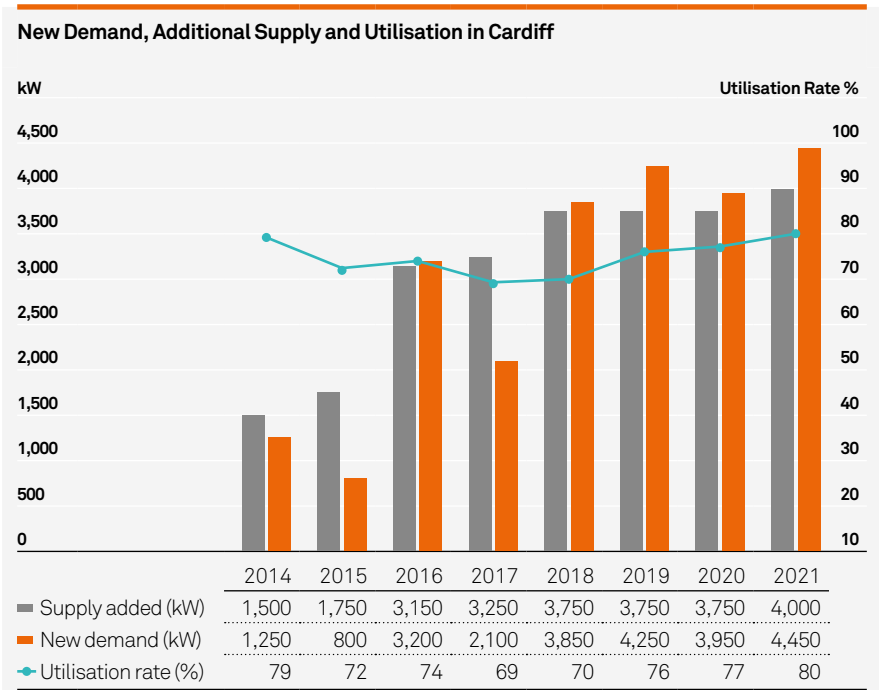
Cardiff has the potential to be developed as a low-cost alternative and back-up to London. Pricing has been around

15%-20% below London rates and is expected to hold steady at this level.

The lower cost of operations in Cardiff, compared to London, has attracted both global and local players alike. The heightened data residency requirements as well as stricter compliance needs may increase the onshoring of data in the UK and drive demand for data centres across the UK.

New demand in Cardiff is estimated to grow at a CAGR of 19.8% between 2014 and 2021. The average utilisation rate was 74% at end 2016.

Cardiff has the potential to be developed as a low-cost alternative and back-up to London.



Increased data residency requirements and compliance needs could drive demand for data centres across the UK.

Portfolio Review

Overview



Weighted Average Lease Expiry (WALE)

9.6 years

The long portfolio WALE provides income stability for the REIT.

Portfolio Occupancy

94.4%

A healthy portfolio occupancy rate with nine of its 11 assets fully leased as at end 2016.

The Manager is focused on pursuing strategic growth opportunities that will complement the portfolio and drive sustainable returns to Unitholders.

Strategic Portfolio Expansion

Keppel DC REIT achieved strong portfolio growth in 2016 and capitalised on opportunities available across Asia Pacific and Europe. The Manager continued to acquire quality income-producing assets that complement the portfolio and enhance total return to Unitholders with the objective of long-term income and capital growth.

In August 2016, Keppel DC REIT expanded its geographical presence in Europe with the acquisition of the shell and core building of a data centre in Milan, Italy, at a purchase price of EUR 37.3 million. Milan Data Centre has a total lettable area of approximately 15,365 sqm (165,389 sq ft) and is sited on freehold land that is approximately eight kilometres from the Milan city centre. It is well connected and easily accessible via the Milan Metro system.

The data centre has been fully leased to one of the world's largest telecommunications companies, on a double-net lease structure for 12 years

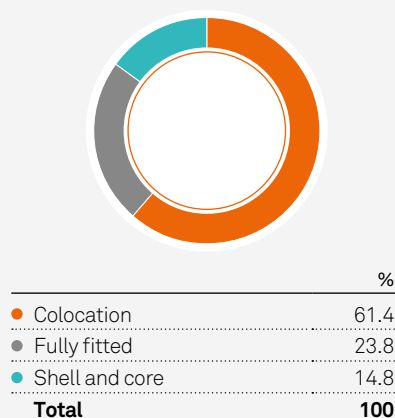
since January 2016. The lease provides for annual rental adjustments and an option to renew for six years. The client manages the facility, owns the fit-out, as well as bears operating expenses and capital expenditure of the mechanical and electrical equipment.

In October 2016, Keppel DC REIT announced two acquisitions – a data centre in Cardiff, United Kingdom, and Keppel DC Singapore 3 (KDC SGP 3) in Singapore.

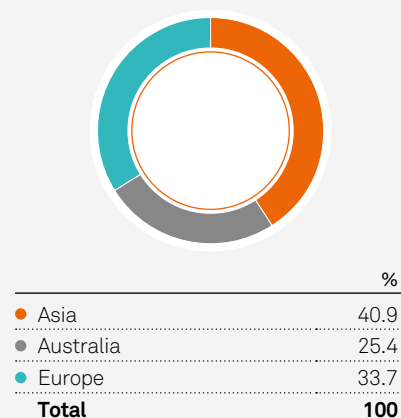
Keppel DC REIT acquired the shell and core building of Cardiff Data Centre at a purchase price of GBP 34.0 million. The facility is located within the Celtic Gateway Business Park and is approximately four kilometres from Cardiff city. The data centre is sited on freehold land, and has a total lettable area of approximately 7,380 sqm (approximately 79,439 sq ft).

Cardiff Data Centre is fully leased to one of the largest global cloud service providers on a 15-year triple-net lease

Rental Income⁽¹⁾ Breakdown by Lease Type



Portfolio AUM⁽²⁾⁽³⁾ by Geography
(as at 31 December 2016)



⁽¹⁾ Rental income for the month of December 2016

⁽²⁾ All figures are as at 31 December 2016 and exclude maincubes Data Centre and the 90% interest in KDC SGP 3 unless otherwise stated.

⁽³⁾ Based on exchange rates of S\$1.00 = A\$0.961, S\$1.00 = £0.563, S\$1.00 = RM3.149 and S\$1.00 = €0.650 as at 31 December 2016.

which commenced in June 2016 with annual rental escalations. Under the lease structure, the client manages the facility, as well as bears all operating expenses and capital expenditure of the data centre.

Both acquisitions in Europe rebalanced the portfolio and enhanced its stability with an increased proportion of master-leased facilities, as well as provided income and geographical diversification.

Keppel DC REIT's acquisition of a 90% interest in KDC SGP 3 at an agreed property value of \$202.5 million was completed in January 2017. The acquisition was fully funded via a \$279.5 million pro-rata preferential offering. KDC SGP 3 is a five-storey, carrier-neutral colocation data centre which is fully-committed to two well-established clients. The facility is located adjacent to Keppel DC Singapore 2 (KDC SGP 2), with a total lettable area of approximately 5,103 sqm (approximately 54,925 sq ft). KDC SGP 3 was the first data centre in Singapore to achieve the BCA-IDA Green Mark Platinum Award for New Data Centres, the highest green accolade from the Building and Construction Authority (BCA) of Singapore and the Info-communications Media Development Authority (IMDA) of Singapore. The acquisition also strengthened the REIT's foothold in Singapore, one of Asia's key data centre hubs.

Balanced Portfolio^{1,2}

As at 31 December 2016, Keppel DC REIT had approximately \$1.20 billion of assets under management (AUM) comprising 11 assets with a combined lettable area of more than 843,000 sq ft across Asia Pacific and Europe. Including KDC SGP 3, which was pending legal completion as at 31 December 2016, total AUM stood at approximately \$1.40 billion. The acquisition of KDC SGP 3 was completed on 20 January 2017.

The portfolio comprises a good mix of fully fitted as well as shell and core assets with stable long leases, and colocation assets which provide diversity in terms of client profile and lease expiry.

As at 31 December 2016, colocation assets constituted approximately 61.4% of Keppel DC REIT's rental income while fully fitted assets and shell and core assets accounted for approximately 38.6%.

As part of joint marketing efforts, the colocation assets within Keppel Telecommunications & Transportation's data centre division and Keppel DC REIT were renamed to streamline the naming convention and strengthen collective branding. Keppel DC REIT's S25 and T25 are now known as Keppel DC Singapore 1 and Keppel DC Singapore 2 respectively, while Citadel 100 Data Centre is now known

as Keppel DC Dublin 1. Gore Hill Data Centre in Sydney was not part of the exercise as only a portion of the asset is a colocation facility while the remaining portion is on a triple-net lease structure.

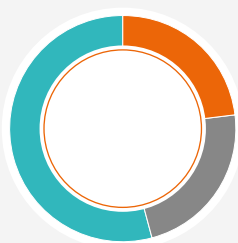
Geographical Diversification^{1,2}

Keppel DC REIT's 11 assets are spread across nine cities in seven countries.

As at end 2016, the total portfolio presence in Asia, comprising two assets in Singapore and one asset in Malaysia, represented about \$489.6 million or 40.9% of Keppel DC REIT's total portfolio value. Keppel DC REIT also owns three assets in Australia at approximately \$303.6 million or 25.4% of the total portfolio value, and five assets in Europe at approximately \$404.0 million or 33.7% of the total portfolio value.

¹ All figures are as at 31 December 2016 and exclude maincubes Data Centre and the 90% interest in KDC SGP 3 unless otherwise stated.
² Based on exchange rates of S\$1.00 = A\$0.961, S\$1.00 = £0.563, S\$1.00 = RM3.149 and S\$1.00 = €0.650 as at 31 December 2016.

Portfolio Lettable Area by Geography
(as at 31 December 2016)



	%
Asia	23.2
Australia	22.7
Europe	54.1
Total	100

Portfolio Statistics

	As at 31 December 2016	As at 31 December 2015
Lettable Area	843,084 sq ft	597,909 sq ft
Valuation	approx. \$1.20 billion	approx. \$1.07 billion
Number of clients ⁽¹⁾	41	36
Occupancy	94.4%	94.8%
WALE	9.6 years	8.7 years

⁽¹⁾ Clients shall refer to those contracted under service level agreements with Keppel DC REIT and/or its subsidiaries with the exceptions of KDC SGP 1 and KDC SGP 2 where clients refer to those who contracted with Keppel DC Singapore 1 Ltd. and Keppel DC Singapore 2 Pte. Ltd. respectively. Clients which are in multiple data centres are only accounted for once.

Portfolio Review

In terms of lettable area, Keppel DC REIT's portfolio is also well spread across the three main geographical regions of Asia, Australia and Europe. As at 31 December 2016, the two assets in Singapore and the asset in Malaysia contributed 195,489 sq ft of lettable area and accounted for 23.2% of the total portfolio lettable area. Keppel DC REIT's three assets in Australia had about 191,274 sq ft of lettable area and constituted 22.7% of the total portfolio lettable area. The five assets in Europe contributed 456,321 sq ft of lettable area and accounted for 54.1% of the total portfolio lettable area.

Strong and Diverse Client Base

Keppel DC REIT's proactive leasing and marketing strategy led to a healthy portfolio occupancy rate of 94.4% as at 31 December 2016. Of the 11 assets in

Keppel DC REIT's portfolio, nine assets were fully leased as at end 2016. The nine assets were KDC SGP 2 in Singapore, Basis Bay Data Centre in Cyberjaya, Gore Hill Data Centre and Intellicentre 2 Data Centre in Sydney, iseek Data Centre in Brisbane, GV7 Data Centre in London, Almere Data Centre in Almere, Milan Data Centre in Milan and Cardiff Data Centre in Cardiff.

In terms of rental income, Keppel DC REIT derives its income from a diverse mix of clients³ across various sectors. The information technology (IT) services sector represented the largest source of rental income at about 34.2% while clients from the internet enterprise industry contributed about 23.9%. The remainder were from the telecommunications, financial services and corporate sectors which contributed 25.5%, 13.0% and 3.4% respectively.

The top ten clients³ in Keppel DC REIT's portfolio based on rental income are primarily from the internet enterprise, IT services and telecommunications industries. Keppel DC REIT's income sources are mainly derived from the fast growing IT sector which saw healthy growth in 2016.

³ Clients shall refer to those contracted under service level agreements with Keppel DC REIT and/or its subsidiaries with the exceptions of KDC SGP 1 and KDC SGP 2 where clients refers to those who contracted with Keppel DC Singapore 1 Ltd. and Keppel DC Singapore 2 Pte. Ltd. respectively.

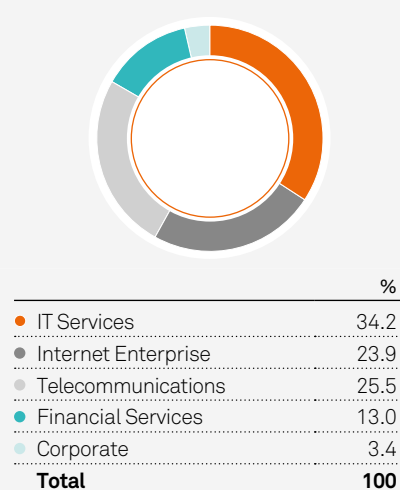
Top 10 Clients⁽¹⁾⁽²⁾ by Rental Income (%)
(for the month of December 2016)

Internet Enterprise	23.7
IT Services	13.4
IT Services	8.4
Telecommunications	8.1
Financial Services	5.5
Telecommunications	5.0
Telecommunications	4.3
IT Services	4.2
Telecommunications	3.5
IT Services	3.2

⁽¹⁾ The names of the clients cannot be identified and matched to the information set out above as many of the lease arrangements and colocation arrangements contain confidentiality provisions. Furthermore, there are commercial sensitivities involved due to the mission critical nature of data centre operations and some clients would prefer to keep their presence in a data centre facility confidential in order to minimise the risk of physical threats and/or intrusions into the facility.

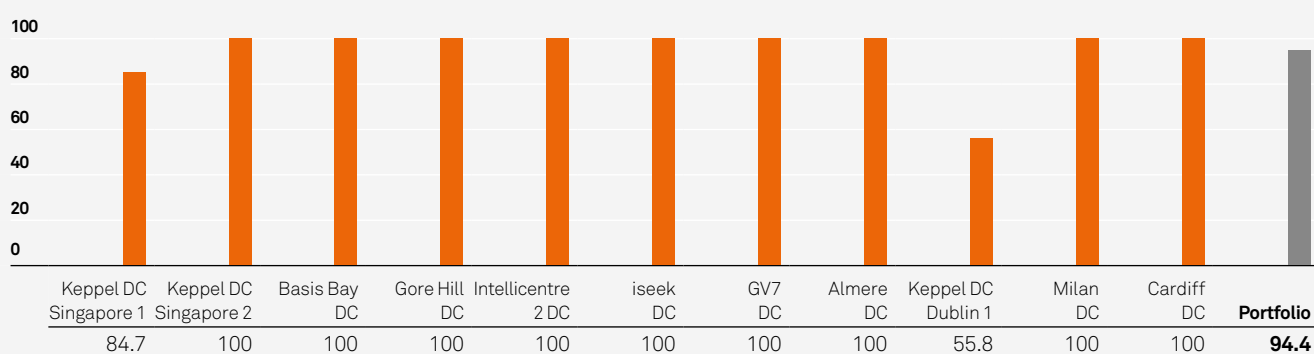
⁽²⁾ Clients shall refer to those contracted under service level agreements with Keppel DC REIT and/or its subsidiaries with the exceptions of KDC SGP 1 and KDC SGP 2 where clients refer to those who contracted with Keppel DC Singapore 1 Ltd. and Keppel DC Singapore 2 Pte. Ltd. respectively. Clients who are in multiple data centres are only accounted for once.

Rental Income⁽³⁾ Breakdown by Client's Trade Sector



⁽³⁾ Rental income for the month of December 2016

Occupancy Rates (%)
(as at 31 December 2016)



Lease expiry profile was well-staggered with 72.3% of lettable area having more than five years to expiry.

Favourable Lease Expiry Profile

As at 31 December 2016, the portfolio WALE was 9.6 years. The long portfolio WALE provides income stability for the REIT. The WALE of the colocation, fully fitted as well as shell and core assets were 3.1 years, 8.7 years and 13.1 years respectively. The WALE of the top ten clients³ in Keppel DC REIT's portfolio was 9.6 years.

In 2016, the WALE of new leases, including that of newly acquired data centres, was 12.1 years. As at 31 December 2016, these leases represented 8.3% of total rental income of the portfolio. This extended the portfolio WALE from 7.8 years upon listing to 9.6 years as at end 2016.

Keppel DC REIT's lease expiry profile was also well-staggered with 72.3% of the portfolio's total lettable area having more than five years to expiry as at 31 December 2016. Not more than 14.5% of the portfolio's lettable area would be up for renewal in any particular year over the next five years, underpinning the long-term stability of the portfolio.

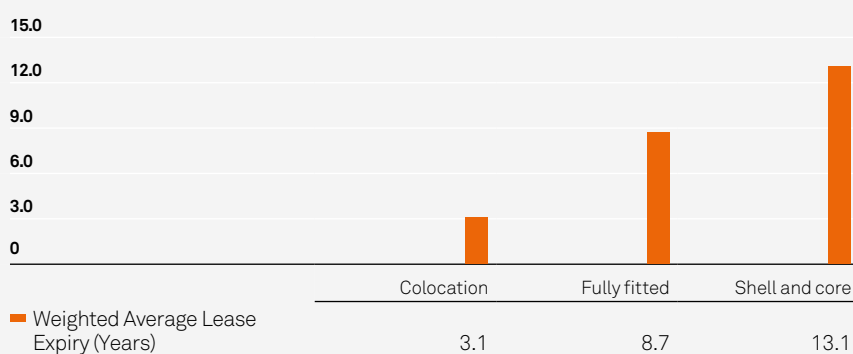
The leases that would be due for renewal in 2017, 2018 and 2019 account for 14.5%, 0.6% and 2.1% of the portfolio's leased lettable area respectively.

In terms of the REIT's lease expiry profile by rental income, not more than 30.3% of the portfolio's rental income would be up for renewal in any single year over the next five years.

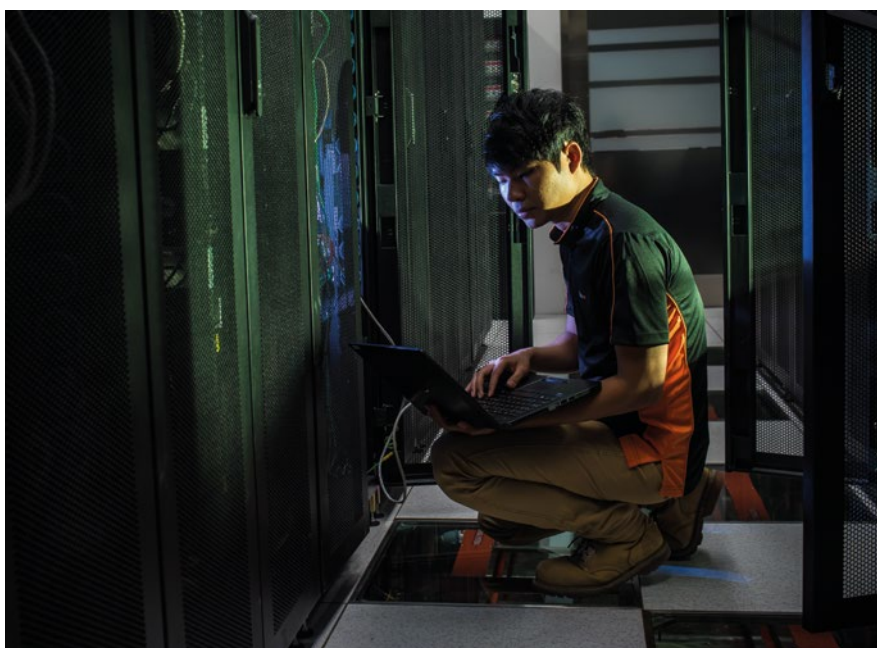
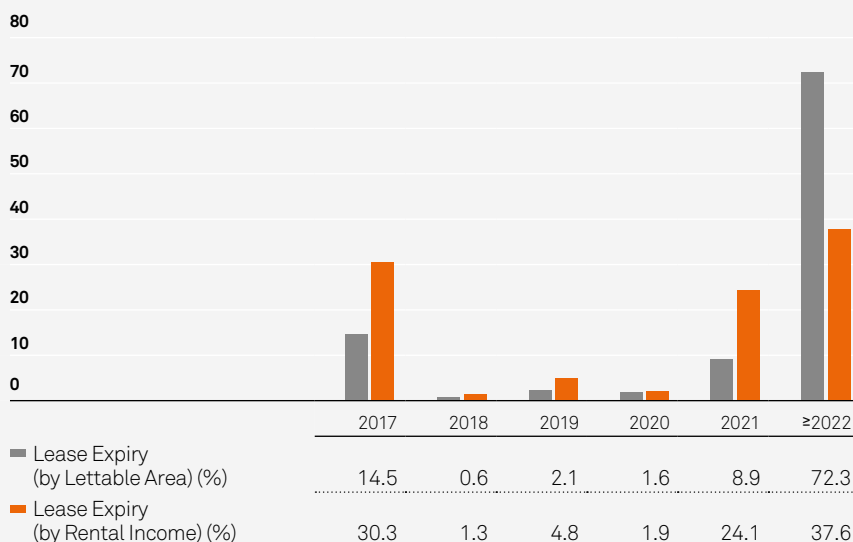
The leases that would be due for renewal in 2017, 2018 and 2019 account for 30.3%, 1.3% and 4.8% of the portfolio's rental income respectively.

The REIT has a strong and diverse mix of clients from the IT services, internet enterprise, telecommunications, financial services and corporate sectors.

Breakdown of Weighted Average Lease Expiry by Lease Type (years)
(as at 31 December 2016)



Portfolio Lease Expiry Profile (%)
(as at 31 December 2016)



Portfolio Review

Property Portfolio at a Glance

Asia Pacific						
Keppel DC Singapore 1 (Formerly S25)	Keppel DC Singapore 2 (Formerly T25)	Keppel DC Singapore 3 (Formerly T27) (Acquired on 20 Jan 2017)	Basis Bay Data Centre	Gore Hill Data Centre	Intellicentre 2 Data Centre	iseek Data Centre
Address 25 Serangoon North Avenue 5, Singapore 554914	25 Tampines Street 92, Singapore 528877	27 Tampines Street 92, Singapore 528878	No. 4710, Jalan Cyber Point 5, Zone Flagship Cyberjaya 63000 Cyberjaya, Selangor Darul Ehsan, Malaysia	5 Broadcast Way (South Gate) Artarmon, New South Wales 2064, Australia	17-23 Talavera Road, Macquarie Park, New South Wales 2113, Australia	2 Cycas Lane, Brisbane Airport, Queensland 4009, Australia
Land Title Leasehold (Expiring 30 September 2025, with option to extend by 30 years)	Leasehold (Expiring 31 July 2021, with option to extend by 30 years)	Leasehold (Expiring 31 January 2022, with option to extend by 30 years)	Freehold	Freehold	Freehold	Leasehold (Expiring 29 June 2040, with option to extend by 7 years)
Ownership Interest 100%	100%	90%	99%	100%	100%	100%
Land Area (sq ft) 78,928	53,820	53,815	64,809	72,032	215,612	41,559
Gross Floor Area (sq ft) 225,945	106,726	133,878	88,600	127,283	–	28,955
Lettable Area (sq ft) 109,711	37,098	54,925	48,680	90,955	87,930	12,389
Number of Clients ⁽¹⁾ 20	4	2	1	3	1	1
Lease Type Keppel lease / Colocation	Keppel lease / Colocation	Keppel lease / Colocation	Double-net lease (Fully fitted)	Triple-net lease (Shell and core) / Colocation	Triple-net lease (Shell and core)	Double-net lease (Fully fitted)
Facility Manager Keppel DC Singapore 1 Ltd. ⁽²⁾	Keppel DC Singapore 2 Pte. Ltd. ⁽⁴⁾	Keppel DCS3 Services Pte. Ltd. ⁽⁵⁾	–	iseek-KDC Services Pty Limited ⁽⁶⁾	–	–
Occupancy Rate 84.7%	100%	100% (committed)	100%	100%	100%	100%
Valuation ⁽³⁾ (\$mil) 279.0	176.0	207.0 (Cushman & Wakefield) and 208.0 (Savills)	34.6	219.7	49.2	34.7
						

Notes:

- ⁽¹⁾ Clients shall refer to those contracted under service level agreements with Keppel DC REIT and / or its subsidiaries with the exceptions of Keppel DC Singapore 1 (KDC SGP 1), Keppel DC Singapore 2 (KDC SGP 2) and Keppel DC Singapore 3 (KDC SGP 3) where clients refer to those who contracted with Keppel DC Singapore 1 Ltd., Keppel DC Singapore 2 Pte. Ltd. and Keppel DCS3 Services Pte. Ltd. respectively.
- ⁽²⁾ Keppel DC REIT outsources facilities management of KDC SGP 1 to Keppel DC Singapore 1 Ltd. Keppel DC Singapore 1 Ltd. is a wholly-owned subsidiary of Keppel Data Centres Holding Pte Ltd, a joint venture company held indirectly by Keppel Telecommunications & Transportation Ltd (Keppel T&T) and Keppel Land Limited (Keppel Land) in the proportion of 70% and 30% respectively.
- ⁽³⁾ Based on respective ownership interests and independent valuations as at 31 December 2016, except for KDC SGP 3 (two valuations dated 30 September 2016 and 1 October 2016) and Cardiff Data Centre (15 September 2016), at the exchange rates of S\$1.00 = A\$0.961, S\$1.00 = £0.563, S\$1.00 = RM3.149 and S\$1.00 = €0.650 as at 31 December 2016.
- ⁽⁴⁾ Keppel DC REIT outsources facilities management of KDC SGP 2 to Keppel DC Singapore 2 Pte. Ltd.; Keppel DC Singapore 2 Pte. Ltd. is a wholly-owned subsidiary of Keppel Data Centres Holding Pte Ltd, a joint venture company held indirectly by Keppel T&T and Keppel Land in the proportion of 70% and 30% respectively.

Europe					
GV7 Data Centre	Cardiff Data Centre	Almere Data Centre	Keppel DC Dublin 1 (Formerly Citadel 100 Data Centre)	Milan Data Centre	maincubes Data Centre (Under development)
Address 7 Greenwich View Place, Millharbour Road, London E14 9NN, United Kingdom	Ty Cynnal, Dunleavy Drive, Celtic Gateway, Cardiff CF110SW, United Kingdom	Rondebeltweg 62 ‘Sallandsekant’ Business Park, Almere, the Netherlands	Unit 4031 – 4033 Citywest Business Park Co, Dublin, Ireland	Via Bisceglie 71, 73 and 75, Milan, Italy	Goethering 29, Offenbach am Main, Germany
Land Title Leasehold (Expiring 28 September 2183)	Freehold	Freehold	Leasehold (Expiring 11 April 2041)	Freehold	Freehold
Ownership Interest 100%	100%	100%	100%	100%	100%
Land Area (sq ft) N.A. ⁽⁷⁾	279,864	85,358	218,236	128,791	60,235
Gross Floor Area (sq ft) 34,848	–	–	125,044	–	–
Lettable Area (sq ft) 24,972	79,439	118,403	68,118	165,389	126,800
Number of Clients ⁽¹⁾ 1	1	1	12	1	1
Lease Type Triple-net lease (Fully fitted)	Triple-net lease (Shell and core)	Double-net lease (Fully fitted)	Colocation	Double-net lease (Shell and core)	Triple-net lease (Fully fitted)
Facility Manager –	–	–	–	–	–
Occupancy Rate 100%	100%	100%	55.8%	100%	100%
Valuation ⁽³⁾ (\$mil) 67.5	60.4	137.7	81.1	57.4	129.2
					

Notes:

- ⁽⁵⁾ Keppel DC REIT outsources facilities management of KDC SGP 3 to Keppel DCS3 Services Pte. Ltd. Keppel DCS3 Services Pte. Ltd. is a wholly-owned subsidiary of Keppel Data Centres Holding Pte Ltd, a joint venture company held indirectly by Keppel T&T and Keppel Land in the proportion of 70% and 30% respectively.
- ⁽⁶⁾ Keppel DC REIT outsources facilities management to iseek-KDC Services Pty Limited in respect of the colocation space in Gore Hill Data Centre. iseek-KDC Services Pty Limited is 60% owned by Keppel T&T and 40% owned by iseek Pty Ltd.
- ⁽⁷⁾ For GV7 Data Centre, neither the lease nor the registered title of the Property refers, nor are they required to refer, to the land area of the Property.

Portfolio Review

Keppel DC Singapore 1

(Formerly S25)

Key Statistics

as at 31 December 2016

Address

25 Serangoon North Avenue 5,
Singapore 554914

Land Title

Leasehold
(Expiring 30 September 2025,
with option to extend by 30 years)

Ownership Interest

100%

Land Area (sq ft)

78,928

Gross Floor Area (sq ft)

225,945

Lettable Area (sq ft)

109,711

Number of Clients

20⁽¹⁾

Lease Type

Keppel lease⁽²⁾ / Colocation

Facility Manager

Keppel DC Singapore 1 Ltd.

Occupancy Rate

84.7%

IPO Appraised Value/Purchase Price (\$mil)

262.8

Notes:

⁽¹⁾ Based on the number of underlying clients which have entered into colocation arrangements with Keppel DC Singapore 1 Ltd., treating the Keppel lease on a pass-through basis to the underlying clients. Keppel DC REIT has in place the Keppel lease with Keppel DC Singapore 1 Ltd. pursuant to which Keppel DC REIT grants a lease for a term of 10 years to Keppel DC Singapore 1 Ltd., with an option to renew for a further term of five years subject to JTC Corporation's consent, and on terms agreed between Keppel DC REIT and Keppel DC Singapore 1 Ltd.

⁽²⁾ Refers to the Keppel lease which has been entered into by Keppel DC REIT with Keppel DC Singapore 1 Ltd. in relation to Keppel DC Singapore 1. However, due to the pass-through nature of the Keppel lease, Keppel DC REIT will substantially enjoy the benefits and assume the liabilities of the underlying colocation arrangements between Keppel DC Singapore 1 Ltd. and the underlying clients.

Keppel DC Singapore 1 (KDC SGP 1) is located at the junction of Serangoon North Avenue 4 and Avenue 5 in Singapore. It is situated within the Serangoon North Industrial Estate, some 10.5km north of the city centre. The property is well served by expressways including the Central Expressway and Kallang-Paya Lebar Expressway, as well as arterial roads, which provide efficient linkages to the city centre, the airport and other parts of the island.

KDC SGP 1 consists of a six-storey data centre main building and an adjoining five-storey annexe infrastructure building. The main building was originally built in the 1990s and converted for use as a data centre in 2001, followed by major retrofitting

works between 2011 and 2013 to further upgrade the data centre specifications.

Featuring environmentally-friendly and sustainable features, KDC SGP 1 was certified by TÜV SÜD PSB to meet the Singapore Standard (SS) 564 Part-1:2013 (Energy and Environment Management System), SS 507:2008 (Business Continuity/ Disaster Recovery) and SS 577:2012 (Water Efficiency Management System). In addition, it was also certified by TÜV SÜD PSB to meet ISO 9001:2008 (Quality Management System), ISO/IEC 27001:2013 (Information Security Management System) and ISO 50001:2011 (Energy Management System) standards.



Keppel DC Singapore 2

(Formerly T25)

Key Statistics

as at 31 December 2016

Address

25 Tampines Street 92,
Singapore 528877

Land Title

Leasehold
(Expiring 31 July 2021, with option
to extend by 30 years)

Ownership Interest

100%

Land Area (sq ft)

53,820

Gross Floor Area (sq ft)

106,726

Lettable Area (sq ft)

37,098

Number of Clients

4⁽¹⁾

Lease Type

Keppel lease⁽²⁾ / Colocation

Facility Manager

Keppel DC Singapore 2 Pte. Ltd.

Occupancy Rate

100%

IPO Appraised Value/Purchase Price (\$mil)

162.0

Keppel DC Singapore 2 (KDC SGP 2) is located along Tampines Street 92, off Tampines Avenue 1 in Singapore. It is situated within the Tampines Industrial Park A, 12km from the city centre.

The property is well served by major roads and expressways such as the Pan-Island Expressway, Tampines Expressway and East Coast Parkway, which provide efficient links to the city centre, the airport and other parts of the island.

KDC SGP 2 comprises a five-storey main building and a four-storey annexe building. The main building was built in 1991 and was extensively retrofitted in 2010 for conversion to a

data centre. In 2015, KDC SGP 2 was conferred the BCA Green Mark Gold^{Plus} Award for Data Centres and certified by TÜV SÜD PSB to meet SS 564 Part-1:2013 (Energy and Environment Management System).

In addition, KDC SGP 2 was also certified to meet the TIA-942:2012 Tier 3, SS 577:2008 (Business Continuity/Disaster Recovery) and SS 577:2012 (Water Efficiency Management System). Other certifications obtained include the ISO 9001:2008 (Quality Management System), ISO/IEC 27001:2013 (Information Security Management System), and ISO 50001:2011 (Energy Management System) standards.



Notes:

⁽¹⁾ Based on the number of underlying clients which have entered into colocation arrangements with Keppel DC Singapore 2 Pte. Ltd., treating the Keppel lease on a pass-through basis to the underlying clients. Keppel DC REIT has in place the Keppel lease with Keppel DC Singapore 2 Pte. Ltd. pursuant to which Keppel DC REIT grants a lease for a term of 10 years to Keppel DC Singapore 2 Pte. Ltd., with an option to renew for a further term of five years subject to HDB's consent, and on terms agreed between Keppel DC REIT and Keppel DC Singapore 2 Pte. Ltd.

⁽²⁾ Refers to the Keppel lease which has been entered into by Keppel DC REIT with Keppel DC Singapore 2 Pte. Ltd. in relation to Keppel DC Singapore 2. However, due to the pass-through nature of the Keppel lease, Keppel DC REIT will substantially enjoy the benefit and assume the liabilities of the colocation arrangements entered into by Keppel DC Singapore 2 Pte. Ltd. and the underlying clients.

Portfolio Review

Keppel DC Singapore 3

(Formerly T27)

(Acquired on 20 Jan 2017)

Key Statistics

as at 31 December 2016

Address

27 Tampines Street 92,
Singapore 528878

Land Title

Leasehold (Expiring 31 January 2022,
with option to extend by 30 years)

Ownership Interest

90%

Land Area (sq ft)

53,815

Gross Floor Area (sq ft)

133,878

Lettable Area (sq ft)

54,925

Number of Clients

2⁽¹⁾

Lease Type

Keppel lease⁽²⁾ / Colocation

Facility Manager

Keppel DCS3 Services Pte. Ltd.

Occupancy Rate

100% committed

IPO Appraised Value/Purchase Price (\$mil)⁽³⁾

202.5

Notes:

⁽¹⁾ Based on the number of underlying clients which have entered into colocation arrangements with Keppel DCS3 Services Pte. Ltd. treating the Keppel lease on a pass-through basis to the underlying clients. Keppel DC REIT has in place the Keppel lease with Keppel DCS3 Services Pte. Ltd. pursuant to which Keppel DC REIT grants a lease for a term of 10 years to Keppel DCS3 Services Pte. Ltd., with an option to renew for a further term of five years subject to HDB's consent, and on terms agreed between Keppel DC REIT and Keppel DCS3 Services Pte. Ltd.

⁽²⁾ Refers to the Keppel lease which has been entered into with Keppel DCS3 Services Pte. Ltd. in relation to Keppel DC Singapore 3. However, due to the pass-through nature of the Keppel lease, Keppel DC REIT will substantially enjoy the benefit and assume the liabilities of the colocation arrangements entered into by Keppel DCS3 Services Pte. Ltd. and the underlying clients.

⁽³⁾ The consideration for the acquisition of the 90% interest at an agreed property value of \$202.5 million was arrived on a willing-buyer and willing-seller basis with vendor Keppel Data Centres Holding Pte Ltd and supported by the independent valuations. The independent valuations by Cushman & Wakefield (dated 01 October 2016) and Savills (dated 30 September 2016) were \$207.0 million and \$208.0 million respectively. Both valuations were derived using discounted cash flow and income capitalisation methods.

Keppel DC Singapore 3 (KDC SGP 3) is located adjacent to Keppel DC Singapore 2 in Tampines, Singapore. It is well served by major roads and expressways such as the Pan-Island Expressway, Tampines Expressway and East Coast Parkway, providing clients with good accessibility to the city centre, the airport and other parts of the island.

Completed in 2015, KDC SGP 3 is a modern five-storey carrier-neutral data centre providing data centre solutions, dedicated colocation suites, as well as 24x7 technical support.

Built to energy-efficient specifications, the facility is equipped with redundant

power and cooling infrastructure to meet high powered rack requirements.

KDC SGP 3 is also the first data centre in Singapore to achieve the BCA-IDA Green Mark Platinum Award for New Data Centres, the highest green accolade from the Building and Construction Authority of Singapore and the Info-communications Media Development Authority of Singapore.

Keppel DC REIT completed its acquisition of a 90% interest in KDC SGP 3 from Keppel Data Centres Holding Pte Ltd on 20 January 2017.



Basis Bay Data Centre

Key Statistics

as at 31 December 2016

Address

No. 4710, Jalan Cyber Point 5, Zone
Flagship Cyberjaya 63000 Cyberjaya,
Selangor Darul Ehsan, Malaysia

Land Title

Freehold

Ownership Interest

99%

Land Area (sq ft)

64,809

Gross Floor Area (sq ft)

88,600

Lettable Area (sq ft)

48,680

Number of Clients

1

Lease Type

Double-net lease
(Fully fitted)

Occupancy Rate

100%

IPO Appraised Value/Purchase Price (\$mil)⁽¹⁾

42.9

Basis Bay Data Centre is located in the township of Cyberjaya, Malaysia, approximately 35km Southwest of Kuala Lumpur city centre and 26km Northwest of the Kuala Lumpur International Airport.

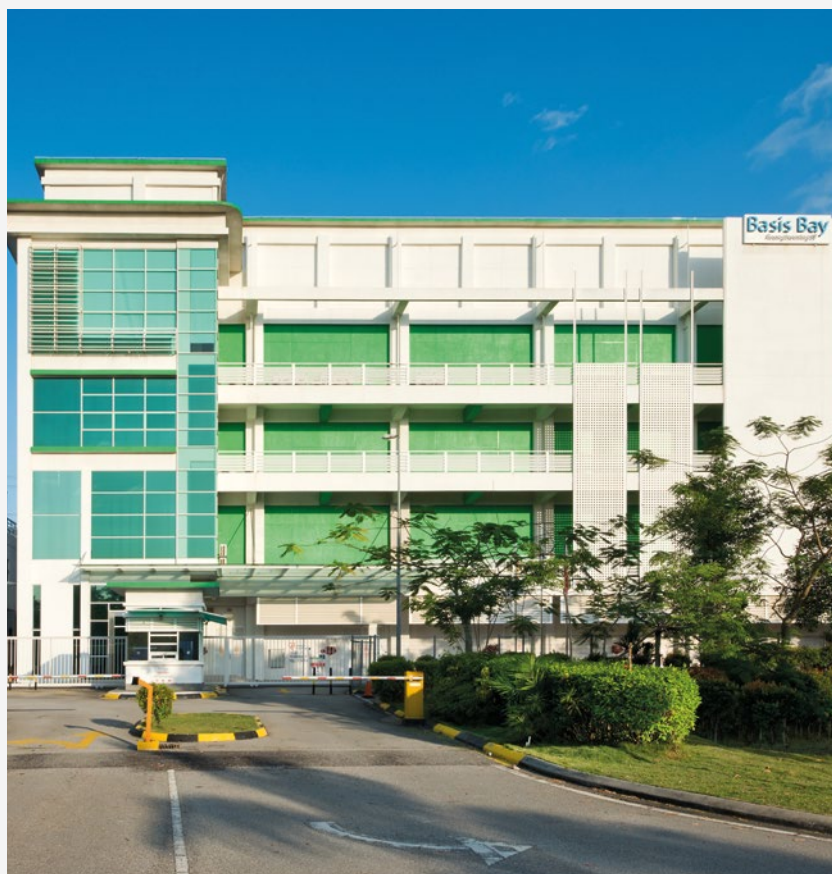
Cyberjaya features a science park which forms a key part of the Multimedia Super Corridor in Malaysia.

The Multimedia Super Corridor covers 750km² and is equipped with world-class physical infrastructure as well as a next-generation 2.5 to 10GB multimedia network. The township was planned to provide comprehensive infrastructure with a principal emphasis on its enterprise and office development as the catalyst for the growth of information and communications technology

enterprises and the multimedia industry in Malaysia.

Cyberjaya is well served by major roads and expressways which form an integral part of the comprehensive transportation network facilitating efficient traffic flows within the entire Klang Valley. There is also Express Rail Link service to Cyberjaya from Kuala Lumpur International Airport via KLIA Transit. These connections provide good all-round accessibility between Cyberjaya and other strategic economic areas within the greater Klang Valley.

Basis Bay Data Centre is a four-storey facility, with an adjoining two-storey office building. Completed in 2009, the building was built with provision for future expansion.



Note:

⁽¹⁾ Excludes the 1.0% interest in Basis Bay Data Centre which is held by E-Basis Bay Sdn Bhd.

Portfolio Review

Gore Hill Data Centre

Key Statistics

as at 31 December 2016

Address

5 Broadcast Way (South Gate)
Artarmon, New South Wales 2064,
Australia

Land Title

Freehold

Ownership Interest

100%

Land Area (sq ft)

72,032

Gross Floor Area (sq ft)

127,283

Lettable Area (sq ft)

90,955

Number of Clients

3

Lease Type

Triple-net lease
(Shell and core) / Colocation

Facility Manager

iseek-KDC Services Pty Limited⁽¹⁾

Occupancy Rate

100%

IPO Appraised Value/Purchase Price (\$mil)

210.9

Gore Hill Data Centre is located within Gore Hill Technology Park in Australia, a mixed use commercial and technology area located approximately 9km Northwest of Sydney's central business district.

The facility is located along one of Sydney's main power and data arteries, allowing access to large, secure power sources and multiple carrier networks. The Gore Hill Expressway, M2, M5 and M7 motorways are all easily

accessible, giving excellent transport connectivity to many other parts of greater Sydney.

Gore Hill Technology Park contains a mix of data centres, Grade A offices, retail and community sporting facilities. Gore Hill Data Centre is a four-storey facility built in 2011 with additional capital works undertaken in the first half of 2012 and in mid-2013 to facilitate client requests.



Note:

⁽¹⁾ Keppel DC REIT outsources facilities management to iseek-KDC Services Pty Limited in respect of the colocation space at Gore Hill Data Centre which is used by the two end-clients. iseek-KDC Services Pty Limited is 60% owned by Keppel T&T and 40% owned by iseek Pty Ltd.

Intellicentre 2 Data Centre

Key Statistics

as at 31 December 2016

Address

17 – 23 Talavera Road, Macquarie Park
New South Wales 2113, Australia

Land Title

Freehold

Ownership Interest

100%

Land Area (sq ft)

215,612

Gross Floor Area (sq ft)

–

Lettable Area (sq ft)

87,930

Number of Clients

1

Lease Type

Triple-net lease
(Shell and core)

Occupancy Rate

100%

IPO Appraised Value/Purchase Price (\$mil)

45.9

Intellicentre 2 Data Centre (IC2 DC) is a carrier-neutral data centre that is located within the Macquarie Park in Australia. Located in the North of Sydney, the site is 12km from the central business district.

Talavera Road, where the asset is located, is well served by all major telecommunication carriers, with ample network capacity available.

Macquarie Park is a research and business park in Sydney with a concentration of companies in the communications and information technology sectors. It is set on over 200 ha of commercial land and is

the second largest commercial office region in New South Wales after Sydney's central business district.

The business park is well positioned to become Australia's fourth largest central business district (behind those of Sydney, Melbourne and Brisbane) by 2030. Macquarie Park also offers a plethora of lifestyle and entertainment options, from campgrounds and bushwalks to a wide range of shopping, dining and entertainment choices.

IC2 DC is a two-storey data centre built in 2012.



Portfolio Review

iseek Data Centre

Key Statistics

as at 31 December 2016

Address

2 Cycas Lane, Brisbane Airport,
Queensland 4009, Australia

Land Title

Leasehold
(Expiring 29 June 2040, with option
to extend by 7 years)

Ownership Interest

100%

Land Area (sq ft)

41,559

Gross Floor Area (sq ft)

28,955

Lettable Area (sq ft)

12,389

Number of Clients

1

Lease Type

Double-net lease
(Fully fitted)

Occupancy Rate

100%

IPO Appraised Value/Purchase Price (\$mil)

31.5

iseek Data Centre is located in the Export Park Precinct of Brisbane Airport in Australia, a locality comprising five distinct development areas, as well as a commercial and lifestyle precinct on approximately 600ha of land.

Sitting on elevated land, isseek Data Centre is situated away from flood prone areas and in close proximity to secure power sources. The data

centre is purpose-built to serve clients that have high power density requirements.

iseek Data Centre is a two-storey energy efficient facility built in 2010. It clinched the 2012 Property Council of Australia's "Best Sustainable Development – New Buildings" award and the Queensland Development of the Year 2012.



GV7 Data Centre

Key Statistics

as at 31 December 2016

Address

7 Greenwich View Place,
Millharbour Road, London E14 9NN,
United Kingdom

Land Title

Leasehold
(Expiring 28 September 2183)

Ownership Interest

100%

Land Area (sq ft)

N.A.⁽¹⁾

Gross Floor Area (sq ft)

34,848

Lettable Area (sq ft)

24,972

Number of Clients

1

Lease Type

Triple-net lease
(Fully fitted)

Occupancy Rate

100%

IPO Appraised Value/Purchase Price (\$mil)

77.0

GV7 Data Centre is located in Greenwich View Place, London, and is approximately 750m South of Canary Wharf, East London. The facility is located within a secured estate which primarily houses data centres and office accommodation services.

As a result of excellent fibre optic connectivity, Greenwich View Place

has established itself as a data centre hub with many of the operators offering high connectivity services.

GV7 Data Centre is a two-storey facility which was built in 1987 and extensively refurbished in 2000.



Note:

⁽¹⁾ For GV7 Data Centre, neither the lease nor the registered title of the Property refers to, nor are they required to refer to, the land area of the Property.

Portfolio Review

Cardiff Data Centre

Key Statistics

as at 31 December 2016

Address

Ty Cynnal, Dunleavy Drive, Celtic Gateway, Cardiff CF110SW, United Kingdom

Land Title

Freehold

Ownership Interest

100%

Land Area (sq ft)

279,864

Gross Floor Area (sq ft)

–

Lettable Area (sq ft)

79,439

Number of Clients

1

Lease Type

Triple-net lease
(Shell and core)

Occupancy Rate

100%

IPO Appraised Value/Purchase Price (\$mil)⁽¹⁾

59.7

Cardiff Data Centre is located in Cardiff, the capital city of Wales in the United Kingdom. Strategically situated within the Celtic Gateway Business Park, the facility is approximately 4km from the Cardiff city centre and is well served by major modes of transportation.

Cardiff Data Centre comprises a two-storey data centre connected to a three-storey office block and was completed in 2003.



Note:

⁽¹⁾ The consideration for the acquisition of Cardiff Data Centre at £34.0 million was arrived at on a willing-buyer and willing-seller basis with vendor Cardiff Data Investments Limited and supported by independent valuation by CBRE. CBRE, in its valuation report dated 10 October 2016, stated that the market value of the 100% interest in the shell and core building of Cardiff Data Centre was £34.0 million, using income capitalisation and discounted cash flow methods.

Almere Data Centre

Key Statistics

as at 31 December 2016

Address

Rondebeltweg 62 'Sallandsekant'
Business Park, Almere, the Netherlands

Land Title

Freehold

Ownership Interest

100%

Land Area (sq ft)

85,358

Gross Floor Area (sq ft)

–

Lettable Area (sq ft)

118,403

Number of Clients

1

Lease Type

Double-net lease
(Fully fitted)

Occupancy Rate

100%

IPO Appraised Value/Purchase Price (\$mil)

131.6

Almere Data Centre is located in the Sallandsekant business estate, in the city of Almere, the Netherlands. The property is located approximately 50km from Schiphol airport and 135km from Rotterdam harbour.

Sallandsekant business estate is targeted at users of logistics properties and has several distribution centres

with well-known names establishing a presence there. The city is well connected by a network of motorways including the A1, A6 and A27 which link to various other cities and parts of the Netherlands. There are also public bus lines servicing the business estate.

Almere Data Centre is a three-storey facility built in 2008.



Portfolio Review

Keppel DC Dublin 1

(Formerly Citadel 100 Data Centre)

Key Statistics

as at 31 December 2016

Address

Unit 4031 – 4033 Citywest Business Park Co Dublin, Ireland

Land Title

Leasehold (Expiring 11 April 2041)

Ownership Interest

100%

Land Area (sq ft)

218,236

Gross Floor Area (sq ft)

125,044

Lettable Area (sq ft)

68,118

Number of Clients

12

Lease Type

Colocation

Occupancy Rate

55.8%

IPO Appraised Value/Purchase Price (\$mil)

102.8

Keppel DC Dublin 1 is located in the Citywest Business Campus, a prime suburban industrial/commercial location in Dublin. It is approximately 14km Southwest of Dublin City Centre and is situated just south of Junction Three of the N7 National Road. The Citywest Business Campus is located south of the N7 Dublin-Limerick Road via its dedicated interchange and is now home to over 130 companies, with an overall focus on technological innovation. In recent years, the area has secured a number of new

occupiers. The Citywest Business Campus also makes provision for high specification industrial properties in a low density park environment.

Keppel DC Dublin 1 is a two-storey facility built in 2000 with data halls of varying sizes. Keppel DC Dublin 1 was certified to meet the requirements of ISO/IEC 27001:2013 (Information Security Management System) and ISO 9001:2008 (Quality Management System).



Milan Data Centre

Key Statistics

as at 31 December 2016

Address

Via Bisceglie 71, 73 and 75, Milan, Italy

Land Title

Freehold

Ownership Interest

100%

Land Area (sq ft)

128,791

Gross Floor Area (sq ft)

–

Lettable Area (sq ft)

165,389

Number of Clients

1

Lease Type

Double-net lease
(Shell and core)

Occupancy Rate

100%

IPO Appraised Value/Purchase Price (\$mil)⁽¹⁾

57.3

Keppel DC REIT's data centre in Milan is located approximately 8km away from the Milan city centre. The facility is well connected and easily accessible via the Milan Metro system.

Completed in 1998 with additional ancillary buildings constructed in 2004, Milan Data Centre comprises three interconnected four-storey buildings.



Note:

⁽¹⁾ The consideration for the acquisition of the 100% interest in the Milan Data Centre at €37.3 million was arrived at on a willing-buyer and willing-seller basis with vendors Mr Riaz Valani, Mr Sebastiano Rizzo and Mr Faizal Lalji, and supported by independent valuation by CBRE. CBRE, in its valuation report dated 20 July 2016 and updated in a report dated 11 January 2017, stated that the market value of the 100% interest in the shell and core building of Milan Data Centre was €37.3 million, using income capitalisation and discounted cash flow methods.

Portfolio Review

maincubes Data Centre

(Under development)

Key Statistics

as at 31 December 2016

Address

Goethering 29, Offenbach am Main, Germany

Land Title

Freehold

Ownership Interest

100%

Land Area (sq ft)

60,235

Gross Floor Area (sq ft)

–

Lettable Area (sq ft)

126,800

Number of Clients

1

Lease Type

Triple-net lease
(Fully fitted)

Occupancy Rate (upon legal completion)

100%

IPO Appraised Value/Purchase Price (\$mil)

130.0

maincubes Data Centre, a fully fitted data centre, is currently being developed in Offenbach am Main, Germany. The site is located about 10km from Frankfurt and is strategically located within the data centre hub across Frankfurt and Offenbach.

The data centre hub where maincubes Data Centre is located comprises stand-alone data centres as well as data centre campuses owned by

international and domestic colocation operators.

maincubes Data Centre is situated about 800m away from the world's leading internet exchange point, DE-CIX. The proximity of maincubes Data Centre to the internet exchange point minimises latency issues, a key consideration for end-users such as financial institutions and e-commerce firms.



Financial Review

Overview

Distributable Income⁽¹⁾

\$61.0m

4.0% higher than IPO Forecast of \$58.7m due to the one-off property tax refund, contribution from Intellicentre 2 Data Centre, higher finance income and lower expenses.

Distribution per Unit

6.14cts

7.7% lower than IPO Forecast of 6.65 cents mainly due to impact of the preferential offering.

The Manager seeks to achieve the best risk-adjusted returns and ensure stability of distributions to Unitholders.

Group Overview

Keppel DC REIT is a Singapore-domiciled real estate investment trust (REIT) established on 17 March 2011. It was listed on Singapore Exchange Securities Trading Limited (SGX-ST) on 12 December 2014. The financial review is for the financial year ended 31 December 2016 (FY 2016).

In October 2016, Keppel DC REIT completed acquisitions of shell and core data centre assets in Milan in Italy and Cardiff in the United Kingdom.

On 17 October 2016, Keppel DC REIT announced the entry into a conditional share purchase agreement (SPA) with Keppel Data Centres Holding Pte. Ltd. (KDCH) in relation to the proposed acquisition of a 90% interest in Keppel DC Singapore 3 Pte. Ltd., which in turn held Keppel DC Singapore 3 (KDC SGP 3). On 20 January 2017, Keppel DC REIT announced the completion of the proposed acquisition and the entry into an agreement with KDCH to vary the arrangements set out in the SPA, so that the rights and obligations of Keppel DC Singapore 3 Pte. Ltd. attributable to the

90% interest acquired by Keppel DC REIT would be passed on to Keppel DC REIT as if the completion had occurred on 1 December 2016, notwithstanding that the completion had occurred on 20 January 2017.

Income available for distribution for the financial year was \$61.0 million, which was \$2.3 million or 4.0% above the IPO Forecast, arising mainly from the one-off property tax refund, contribution from Intellicentre 2 Data Centre (IC2 DC), higher finance income and lower expenses, offset by lower revenue from the Singapore and Dublin assets.

Distribution per Unit (DPU) of 6.14 cents was 7.7% lower than that of the IPO Forecast of 6.65 cents mainly due to the impact of the pro-rata preferential offering during the year. Distribution yield based on the IPO price of \$0.930 per Unit was 6.60%, lower than the forecasted 7.15%. Based on the closing price of \$1.185 per Unit on the last trading day of 2016, FY 2016 distribution yield was 5.18% as compared to the IPO Forecast of 5.61%.



⁽¹⁾ The distributable income to Unitholders was based on 100% of the taxable income available for distribution to Unitholders.

A 90% interest in Keppel DC Singapore 3 was acquired and completed on 20 January 2017.

Financial Review

Group Financial Overview

	2016 Actual \$'000	2016 Forecast \$'000	Change %	2015 Actual \$'000
Gross rental income	97,155	102,430	(5.1)	100,719
Other income	1,984	80	>100	1,743
Gross revenue	99,139	102,510	(3.3)	102,462
Property operating expenses	(8,203)	(15,506)	(47.1)	(15,590)
Net property income	90,936	87,004	4.5	86,872
Finance income	1,293	76	>100	321
Finance costs	(12,768)	(13,253)	(3.7)	(11,710)
Trustee's fees	(180)	(180)	–	(180)
Manager's base fees	(5,563)	(5,252)	5.9	(5,011)
Manager's performance fees	(3,070)	(2,893)	6.1	(3,262)
Net realised gains in derivatives	1,776	–	Nm	771
Audit fees	(261)	(330)	(20.9)	(257)
Valuation fees	(276)	(240)	15.0	(181)
Other trust expenses	(207)	(2,212)	(90.6)	798
Net income	71,680	62,720	14.3	68,161
Net change in fair value of investment properties	(13,994)	–	Nm	41,879
Total return for the year before tax	57,686	62,720	(8.0)	110,040
Tax expenses	(6,743)	(4,191)	60.9	(5,577)
Total return for the year after tax	50,943	58,529	(13.0)	104,463
Total return attributable to:				
Unitholders	50,937	58,490	(12.9)	104,424
Non-controlling interest	6	39	(84.6)	39
Total return for the year	50,943	58,529	(13.0)	104,463
Total return for the year attributable to Unitholders	50,937	58,490	(12.9)	104,424
Net tax and other adjustments to total return after tax attributable to Unitholders	10,111	220	>100	(46,984)
Distributable income⁽¹⁾	61,048	58,710	4.0	57,440

⁽¹⁾ The distributable income to Unitholders was based on 100% of the taxable income available for distribution to Unitholders.

Nm = Not meaningful

The 242.0 million new Units listed on 15 November 2016, pursuant to the pro-rata preferential offering, were entitled to the distributable income for the second half of 2016. In addition, there was a period of 1.5 months for which there was no income contributed by KDC SGP 3 as the acquisition was completed later than expected. Excluding the impact of the pro-rata preferential offering, the later completion of KDC SGP 3 acquisition as well as the one-off property tax refund in 3Q 2016, the adjusted DPU would have been 6.68 cents which was 0.5% higher than the IPO Forecast. Adjusted distribution yield would also be correspondingly higher than the IPO Forecast.

Gross Revenue

Gross revenue for the year of \$99.1 million was \$3.4 million or 3.3% lower than the IPO Forecast of \$102.5 million due to lower gross rental income offset by higher other income.

Gross rental income for FY 2016 was \$97.2 million, a decrease of \$5.2 million or 5.1% as compared to the IPO Forecast of \$102.4 million. At Keppel DC Dublin 1 (KDC DUB 1), there was lower rental income arising from a client downsizing its requirements in 1Q 2016. At Almere Data Centre, there was also a one-off non-cash downward adjustment of straight-lining of rental income in 3Q 2016. There was a drop in variable income at the Singapore properties due to lower recurring and power revenue. In addition, overseas contribution declined due to the depreciation of AUD, EUR, GBP and MYR against SGD as compared to the IPO Forecast. These were offset by contribution from IC2 DC as well as the data centres in Cardiff and Milan.

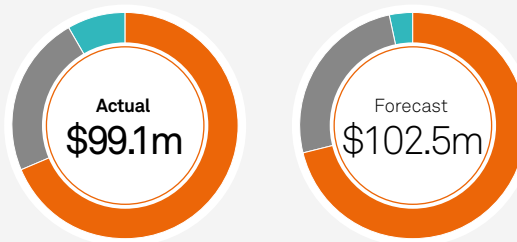
Other income was \$2.0 million, mainly from power and service revenue charged to clients at Gore Hill Data Centre and KDC DUB 1, as well as the rental top up income provided by the vendor of the Milan Data Centre.

Net Property Income (NPI)

NPI of \$90.9 million for FY 2016 outperformed the IPO Forecast of \$87.0 million by \$3.9 million or 4.5%, mainly from lower property operating expenses offset by lower gross revenue.

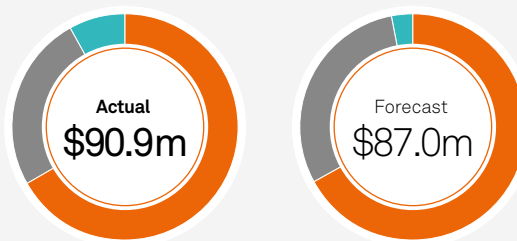
Property operating expenses for FY 2016 was \$8.2 million, a decrease of \$7.3 million or 47.1% as compared to the IPO Forecast of \$15.5 million due to the one-off property tax refund, lower repair and maintenance and other property-related costs from the colocation

Gross Revenue



	\$m	\$m
	Actual	Forecast
Colocation	68.0	72.9
Fully fitted	23.0	26.4
Shell and core	8.1	3.2
Total	99.1	102.5

Net Property Income



	\$m	\$m
	Actual	Forecast
Colocation	60.8	58.3
Fully fitted	22.8	26.2
Shell and core	7.3	2.5
Total	90.9	87.0

Financial Review

Distributable Income (\$m) (for FY 2016)

1Q Actual		14.7
1Q Forecast		14.6
2Q Actual		14.7
2Q Forecast		14.6
3Q Actual		16.8 ⁽¹⁾
3Q Forecast		14.8
4Q Actual		14.8
4Q Forecast		14.7

⁽¹⁾ The distributable income for 3Q 2016 included a one-off property tax refund.

Investment Properties⁽¹⁾ (\$m) (as at 31 December)

Asia Pacific

Keppel DC Singapore 1		279.0
		275.0
Keppel DC Singapore 2		176.0
		179.0
Basis Bay Data Centre		34.9
		37.5
Gore Hill Data Centre		219.7
		202.8
Intellicentre 2 Data Centre		49.2
		48.0
iseek Data Centre		43.9
		38.7

Europe

GV7 Data Centre		67.5
		82.2
Cardiff Data Centre		60.4
		–
Almere Data Centre		137.7
		129.7
Keppel DC Dublin 1		104.2
		109.8
Milan Data Centre		53.4
		–
Total		1,225.9
		1,102.7

■ 2015 ■ 2016

⁽¹⁾ Investment properties included the carrying value of the finance lease liabilities pertaining to the land rent commitments for iseek Data Centre and Keppel DC Dublin 1, and excluded Keppel DC Singapore 3 as the acquisition was completed on 20 January 2017.

assets as well as the depreciation of AUD and EUR against SGD contributing to lower property expenses.

Total Return Attributable to Unitholders

Total return after tax for FY 2016 was \$50.9 million, contributed by net fair value loss of \$14.0 million in the investment properties from valuations performed by independent valuers at year end and deferred tax liabilities of \$3.0 million provided on fair value gains for the property in the Netherlands. Excluding the fair value changes and deferred tax, the total return after tax for FY 2016 was \$67.9 million, an increase of \$9.4 million or 16.1% as compared to IPO Forecast of \$58.5 million. This was mainly due to higher NPI, higher net unrealised foreign exchange gains in FY 2016, higher realised gains on settlement of foreign exchange forward contracts in 2016, higher finance income and lower finance costs partially offset by higher Manager's fees and higher current tax expenses as compared to the IPO Forecast.

Distributable Income

Distributable income for the year of \$61.0 million exceeded that of the IPO Forecast by \$2.3 million or 4.0%. On a quarter by quarter comparison for FY 2016, Keppel DC REIT's quarterly distributable income had consistently outperformed the IPO Forecast.

Investment Properties

As at 31 December 2016, the carrying value of the investment properties amounted to \$1,225.9 million as compared to \$1,102.7 million as at 31 December 2015. This included finance lease liabilities capitalised pertaining to land rent commitments of \$32.4 million (31 December 2015: \$31.3 million). The increase of \$123.2 million or 11.2% in carrying value was mainly due to acquisitions of the data centres in Milan and Cardiff, and price adjustments to the Singapore properties, Keppel DC Singapore 1 (KDC SGP 1) and Keppel DC Singapore 2 (KDC SGP 2), offset by revaluation of the Group's investment properties and foreign exchange translation losses.

Net Asset Value (NAV) per Unit

As at 31 December 2016, Keppel DC REIT's NAV per Unit was \$0.954 (31 December 2015: \$0.921). Excluding the distributable income for the second half of the year, the adjusted NAV per Unit was \$0.926 (31 December 2015: \$0.888).

Funding and Borrowings

In 2016, Keppel DC REIT borrowed a total of \$188.8 million from various financial institutions, of which \$92.6 million of the borrowings were settled during the year. These borrowings proceeds were mainly used to fund the acquisitions of the Milan and Cardiff data centres.

As at 31 December 2016, \$439.3 million of unsecured term loan facilities and revolving credit facilities had been utilised with \$136.9 million of revolving credit facilities remaining unutilised and available to meet future obligations. All-in weighted average cost of debt was 2.3% with interest coverage ratio at 9.4 times. Weighted average debt tenor stood at 3.2 years as at 31 December 2016.

In arriving at the aggregate leverage of 28.3% as at 31 December 2016 under the Property Funds Appendix in the Code on Collective Investment Schemes (CIS Code) issued by MAS, \$32.4 million of finance lease liabilities pertaining to land rent commitments were excluded.

Cash Flows and Liquidity

As at 31 December 2016, Keppel DC REIT's cash and cash equivalent was \$298.0 million (2015: \$37.2 million), 27.8% of Keppel DC REIT's NAV (2015: 3.8%).

Net cash generated from operating activities for the year ended 31 December 2016 was \$75.7 million, mainly from its rental and other income received which were partially offset by net working capital requirements.

Net cash used in investing activities for the financial year amounted to \$120.7 million, arising mainly from the acquisitions of the Milan and Cardiff data centres in October 2016 as well as capital expenditures and additions on the existing data centres.

Net cash generated from financing activities for the financial year was \$302.0 million. Gross proceeds of \$279.5 million were raised from the issuance of new Units during the pro-rata preferential offering. Gross borrowings from external banks amounting to \$188.8 million were also drawn down to fund the acquisitions of the Milan and Cardiff data centres and to repay a short-term borrowing. Distributions of \$58.5 million were paid out during the financial year.

Use of Proceeds of the Preferential Offering

In 4Q 2016, Keppel DC REIT raised approximately \$275.3 million of proceeds net of transaction costs from the issuance of approximately 242.0 million new Units at an issue price of \$1.155 per Unit. The net proceeds have been partially utilised as follows as of 15 February 2017:

1. \$208.0 million for the proposed acquisition of KDC SGP 3;
2. \$30.2 million for the repayment of loans taken up to finance the acquisition of IC2 DC; and
3. \$5.9 million for the settlement of purchase price adjustments for KDC SGP 1 and KDC SGP 2.

All-in weighted average cost of debt was 2.3% with interest coverage ratio at 9.4 times.



As at 31 December 2016, Keppel DC REIT's net asset value per Unit was \$0.954.

Financial Review

Capital and Financial Risks Management

Capital Management

The Manager reviews the Group's financial policy and debt and capital management regularly to optimise the Group's funding structure. The Group's exposure to various risk elements is also monitored closely through clearly established management policies and procedures.

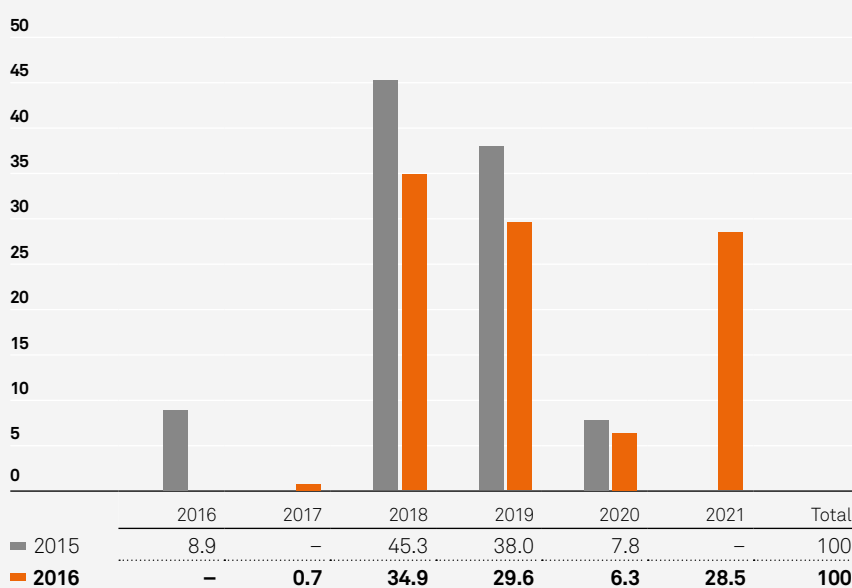
The Manager seeks to maintain an optimal combination of debt and equity in order to balance the cost of capital and the returns to Unitholders. The Manager also monitors the externally imposed capital requirements closely and ensures the adopted capital structure complies with the requirements.

Under the Property Funds Appendix of the CIS Code, the aggregate leverage should not exceed 45.0% of the Group's deposited properties. The Group complied with this requirement for the financial year ended 31 December 2016.

Financial Risk Management

The Group operates across multiple jurisdictions and is exposed to a variety of financial risks, comprising credit, liquidity and market (mainly currency and interest rate) risks. The Manager carries out financial risk management in

Debt Maturity Profile (%) (as at 31 December)



Key Statistics

	31 December 2016	31 December 2015
Aggregate leverage ⁽¹⁾ (%)	28.3	29.2
Weighted average debt tenor (years)	3.2	3.3
Percentage of assets unencumbered (%)	100.0	100.0

⁽¹⁾ Aggregate leverage was computed based on gross borrowings and deferred payments over total deposited properties (the Group's total assets) as stipulated in the Property Funds Appendix in the CIS Code issued by MAS, without considering finance lease liabilities pertaining to land rent commitments. If these finance lease liabilities pertaining to land rent commitments were included, the aggregate leverage would be 29.8% (31 December 2015: 31.1%).



Foreign-sourced
distributions have been
hedged up to 1H 2018.

accordance with its established policies and guidelines while achieving a balance between the cost of risks occurring and the cost of managing them. The Group's financial risk management is discussed in more detail in the notes to the financial statements.

During the year, the Manager has been adopting appropriate hedging strategies to manage interest rate and foreign currency exposure for the Group. Interest rate swaps have been entered into to hedge interest rate exposure of the long-term loans.

As at 31 December 2016, the Manager has used foreign currency forward contracts to hedge the REIT's forecasted foreign-sourced distributions up to 1H 2018. The Manager also adopts natural hedging by borrowing in currencies that match the corresponding investments.

As at 31 December 2016, the percentage of net carrying value of the derivatives entered into was 0.07% (2015: 0.34%).

Accounting Policies

The financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice 7 (Revised 2012)

"Reporting Framework for Unit Trusts" (RAP 7) issued by the Institute of Singapore Chartered Accountants, the applicable requirements of the CIS Code issued by the Monetary Authority of Singapore, and the provisions of the Trust Deed. RAP 7 requires that accounting policies adopted should generally comply with the principles relating to recognition and measurement of the Singapore Financial Reporting Standards.

The Group's significant accounting policies are discussed in more detail in the notes to the financial statements. The preparation of the financial statements in conformity with RAP 7 requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income, expenses and disclosures made. In particular, the valuation of investment properties is one significant area of estimation, uncertainty and critical judgement in applying accounting policies. This has the most significant effect on the amounts recognised in the financial statements, and will be discussed in greater detail in the notes to the financial statements.

The Manager adopts appropriate hedging strategies to manage interest rate and foreign currency exposure.



The Manager seeks to maintain an optimal combination of debt and equity in order to balance the cost of capital and the returns to Unitholders.

Risk Management

Risk management is a fundamental part of the Manager's decision-making process. The Manager adopts a robust risk management approach to identifying and managing risks to reduce ambiguities associated with the execution of business strategies. It also allows the Manager to respond effectively to a constantly evolving business landscape.

Keppel DC REIT has an Enterprise Risk Management (ERM) framework, a component of its System of Management Controls, which provides the Manager with a holistic and systematic approach to risk management. It outlines the reporting structure, monitoring mechanisms, specific risk management processes and tools. This framework includes Keppel DC REIT's policies and limits in addressing and managing the identified key risks. The ERM framework is dynamic and evolves with the business.

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.

The impact and probability of occurrence of risks are taken into consideration during the risk assessment process.

This framework encompasses strategic, investment, financial, operational and reputational aspects of Keppel DC REIT's business. Tools such as risk rating matrices, key risk indicators and risk registers assist the Manager in its risk management process.

The Board is responsible for governing risks and ensuring that the Manager maintains a sound risk management system and internal controls to safeguard Unitholders' interests and Keppel DC REIT's assets. With the support of the Audit and Risk Committee (ARC), the Board provides valuable advice to management in formulating various risk policies and guidelines. Terms of reference of the ARC are disclosed on pages 158 and 159 of this Report.

On a quarterly basis, or more frequently if necessary, the Board and the Manager review Keppel DC REIT's financial performance; assess its current and future operating, financial and investment risks; as well as address feedback from the auditors and consultant on compliance matters.

The Board, aided by the ARC, has implemented three Risk Tolerance Guiding Principles for the Manager and Keppel DC REIT. These principles determine the nature and extent of the significant risks that the Board is willing

to take in achieving its strategic objectives. The principles include:

1. Risk taken should be carefully evaluated, commensurate with rewards and in line with Keppel DC 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 DC REIT.
3. Keppel DC 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 within Keppel DC REIT. In 2016, the Board has assessed and deemed Keppel DC 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 DC REIT's strategies to ensure income sustainability and growth. Measures include proactive lease management and marketing to reduce rental voids, monitoring of rental arrears to minimise bad debts,

A robust risk management approach allows the Manager to respond effectively to a constantly evolving business landscape.



and controlling property expenses to maximise net property income.

- Formalised guidelines, procedures, internal training and tools are used to provide guidance in assessing, mitigating and monitoring risks.
- The Manager fosters close relationships with clients and manages lease expiries to avoid a disproportionate amount of space expiring in any one year.
- The Manager and the facility managers will ensure that asset performance is well managed and adheres to the respective service level agreements. The Manager also assesses and approves all renewals, new leases as well as capital expenditures. The Manager actively engages the facility managers in regular operational meetings to ensure that the assets are managed in accordance with Keppel DC REIT's operating plans and standards.
- Business continuity plans (BCP) enable Keppel DC REIT to respond effectively to disruptions from internal and external events, while continuing critical business functions. Regular BCP drills are conducted to ensure operational resilience. Key spokespersons undergo training to equip them with the necessary communication skills in the event of a crisis.

2. Financing Risk

- Liquidity and financing risks are managed in accordance with established guidelines and policies. The Manager also monitors its cash flows, debt maturity profile, aggregate leverage and liquidity positions on a regular basis.
- The Manager seeks to diversify its funding sources and lengthens debt tenor where appropriate to ensure a well-staggered debt maturity profile.

3. Financial Risk

- The Manager constantly monitors the exposure of Keppel DC REIT to changes in interest rates and foreign exchange rates. It utilises various financial instruments, where appropriate, to hedge against exposure.
- The Manager has entered into floating to fixed interest rate swaps to manage its interest rate exposure, with the primary objective of limiting the extent to which net interest expense can be affected by adverse movements in interest rates.
- In its mitigation of currency fluctuations' impact, the Manager uses foreign currency forward contracts to hedge the REIT's foreign-sourced distribution.

4. Credit Risk

- Procedures are implemented to ensure regular collection of rents and minimise potential rental arrears.
- The Manager maintains a well-diversified client base across high value-added trade sectors to minimise concentration risk.

5. Investment Risk

- Comprehensive due diligence to assess and evaluate potential investment risks are conducted prior to any transaction. All investment proposals are objectively evaluated based on the Manager's stringent investment criteria as well as the target asset's specifications, expected returns, growth potential and overall value-add to Keppel DC REIT, taking into consideration the current economic climate and market conditions.
- The Board reviews and approves transactions after evaluating all aspects of the investment proposal and risks involved.

- The effect of each proposed transaction on the Singapore-overseas ratio is evaluated prior to any transaction to manage concentration risk.

6. Compliance Risk

- The Manager, being a Capital Markets Services Licence holder, complies with applicable laws and regulations including the SGX-ST 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 closely monitors changes to legislations and regulations as well as new developments in its operating environment. Particular emphasis is placed on regulatory compliance in all our operations.
- Keppel DC REIT and the Manager undergo periodic internal and external audits to ensure that they adhere to relevant policies and processes.
- The Manager adopts a strong anti-corruption stance and regularly communicates key policy requirements to all employees.

Keppel DC REIT's Five-Step Risk Management Process



Sustainability Report

Keppel DC REIT is committed to delivering value through sustaining growth in our business, empowering the 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 66–69



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 70–74



Nurturing Communities

As a global citizen, Keppel believes that as communities thrive, we thrive.

We engage and nurture communities wherever we are, with the aim of achieving a sustainable future together.

We cultivate a green mindset among our employees to spur them towards adopting a sustainable lifestyle.

➔ For more information, go to:
page 75

Letter to Our Stakeholders

We are committed to sustainable growth as we strive for long-term value creation for all our stakeholders.

Dear Valued Stakeholders,

I am pleased to present to you Keppel DC REIT's first sustainability report that is published in accordance with the internationally recognised Global Reporting Initiative (GRI) G4 reporting guidelines. This 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.

Since its Initial Public Offering (IPO) on the SGX in December 2014, Keppel DC REIT has delivered results that have exceeded its IPO Forecast despite the volatile macroeconomic landscape. We are committed to sustainable growth as we strive for long-term value creation for all our stakeholders.

We have chosen to adopt the internationally accepted GRI reporting guidelines, which provide a useful framework for us to disclose how we prioritise sustainability issues, as well as manage and monitor our performance. GRI represents the global best practice for reporting on a range of economic, environmental, social and governance factors.

This report encapsulates our management approach and efforts to uphold good corporate governance, environmental protection, human capital development,

safety performance, as well as philanthropic initiatives as the REIT grows.

Sustainability at Keppel DC REIT

The data centres which make up Keppel DC REIT's portfolio are highly secured facilities housing computer servers and networking equipment. These are typically energy intensive, due to the high power requirements of IT equipment and the supporting cooling infrastructure needed to maintain optimal environmental conditions for the equipment. Although power and water usage are expected to increase in tandem with business growth, we are conscious of our energy consumption and will strive to minimise environmental impact.

Where possible, Keppel DC REIT implements energy saving features and initiatives at its data centres. For example, Keppel DC Singapore 1 and 2 are green data centres, with SS 577:2012 and ISO 50001:2011 certifications attesting to their energy and water efficiency. Keppel DC REIT's newly acquired Keppel DC Singapore 3 is also Singapore's first newbuild data centre to be awarded the BCA-IDA Green Mark Platinum Award for New Data Centres in recognition of its sustainable features.

We will continue to explore energy efficiency enhancements with our clients and embed

green initiatives in our business as we strive to enhance our sustainability performance.

Our employees are our most valuable asset. We are committed to creating a safe and nurturing environment for our employees. In 2016, I am happy to report that we have achieved a good safety record with zero Accident Frequency Rate and Accident Severity Rate. We will continue to work with our data centre facility managers to maintain a zero-incident workplace.

We have invested more than \$14,000 on training, or an average of 30 training hours per employee. We also achieved an improved employee engagement score of 96% in a follow-up to the Employee Engagement Survey conducted the year before.

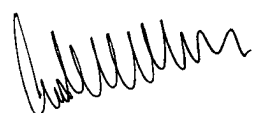
Keppel DC REIT is committed to making a positive difference in the communities where we operate. Employees are granted up to two days of volunteerism leave annually and we regularly participate in Keppel Group's community outreach initiatives.

Looking Forward

Keppel DC REIT identifies with the Keppel Group's sustainability focus areas of Sustaining Growth, Empowering Lives and Nurturing Communities. These three pillars will continue to guide and influence our decisions as we continue to grow our business. Along the way, we also hope to positively influence our contractors, partners and clients in this sustainability journey.

I hope this report provides a comprehensive view of Keppel DC REIT's efforts and commitment towards sustainability. We value any feedback that will enhance our future performance.

Yours sincerely,



Chua Hsien Yang
15 February 2017



About this Report

Reporting Period and Scope

This report was prepared in accordance with the GRI G4 reporting guidelines, at Core level. Corresponding to GRI G4's emphasis on materiality, this report focuses on the areas of sustainability that are deemed material to Keppel DC REIT and its stakeholders. These areas are categorised into economic, environmental, social and governance aspects of our business operations.

The report covers the same period as the financial year of the REIT, from January to December 2016, and will be published annually. However, the performance data stated in this report was annualised based on nine months of actual data, as finalised data was not available at the time of report publication. If full year data shows a variance of more than 5% from our annualised data, we will restate the data in the following year's Sustainability Report.

The reporting scope for 2016 includes data from the Manager's and the REIT's colocation data centre assets which the Manager has management control over. These are Keppel DC Singapore 1 (KDC SGP 1) and Keppel DC Singapore 2 (KDC

SGP 2) in Singapore, Gore Hill Data Centre (Gore Hill DC) in Sydney, Australia, and Keppel DC Dublin 1 (KDC DUB 1) in Ireland. Keppel DC Singapore 3 will be included in the report next year as the acquisition was completed in January 2017.

Standard units of measurements were used in this report and conversion factors, where applicable, are explained in their respective sections. All dollar values expressed are in Singapore Dollar.

We have been on a learning journey this year, implementing a data collection and reporting system in adherence to the reporting standards. We aim to strengthen our process before seeking external validation.

This report demonstrates our commitment to keep stakeholders abreast of developments in our sustainability journey. For further queries, please contact: investor.relations@keppeldcreit.com

Performance Data

	2016	Page
Total Energy Consumption (MWh)	152,027	68 & 69
Total Water Consumption (m ³)	152,314	68 & 69
Monthly Employee Turnover Rate	2.2%	72 & 73
Training Hours per Employee	30	72-74
Accident Frequency Rate (reportable accidents per million man-hours)	0	74
Accident Severity Rate (man-days lost per million man-hours)	0	74

Keppel DC REIT's sustainability report focuses on areas of sustainability that are deemed material to Keppel DC REIT and its stakeholders.



Managing Sustainability

In our endeavour to be the preferred data centre real estate investment trust that provides investors with stable and sustainable returns, we will continue to focus our efforts on growing a portfolio of data centres with high technical and operational resilience.

We believe that strong corporate governance, prudent and holistic risk management as well as operational excellence and sustainability are crucial to the success of Keppel DC REIT.

Leadership and Management Involvement

The Manager adheres to Singapore's Code of Corporate Governance, issued by the Monetary Authority of Singapore. The Code provides the framework for controls, checks and accountabilities and requires the Board of Directors to consider sustainability issues in its business decisions. Accordingly, sustainability and risk management are considered in the evaluation of any investment opportunities.

The Manager established a sustainability Committee during the year. The committee comprises representatives across all relevant functions, including investment and asset management, facility management, human resources, finance, compliance and investor relations. The committee is responsible for monitoring sustainability performance and trends on a quarterly basis.

The Manager's balanced scorecard also takes into account sustainability aspects in support of the Keppel Group's contribution and commitment to sustainability.

All employees are guided by the core values of the Keppel Group, its operating principles, and the Employee Code of Conduct, which addresses standards of professional behaviour, in addition to ethical business behaviour.

Materiality and Stakeholder Analysis

Materiality is fundamental to sustainability reporting and is a key principle of both SGX's Sustainability Reporting Guide and GRI G4. This report focuses on the economic, environmental, social and governance issues that are relevant and significant to Keppel DC REIT and our key stakeholders.

A materiality assessment was conducted with an independent consultancy based on the international guidelines GRI G4 and the AA1000 principles of materiality and inclusivity. The workshop involved key staff across Keppel DC REIT's operations, including the CEO, heads of departments and representatives from all relevant functions.

Material issues were identified before being prioritised in a matrix (see page 64) from the perspective of both internal and external stakeholders. External stakeholders' perspectives were based

on feedback and information requests received from external stakeholders such as investors, clients and business partners.

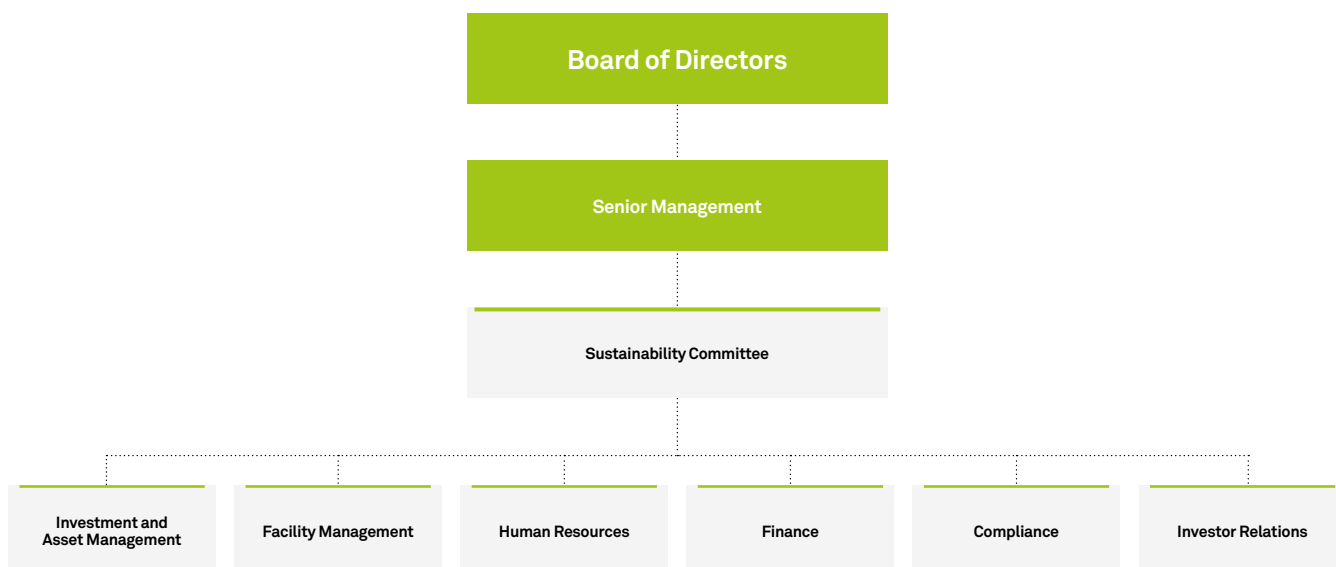
All of the material issues identified are deemed equally relevant, both internally and externally, except for issues in relation to labour practices, safety and health which are considered more significant to internal stakeholders.

This report focuses on the Highly Critical and Critical material issues. We also monitor the important material issues internally and will report to our stakeholders if and when these become significant.

Amongst the Highly Critical and Critical material issues, we believe that economic performance, compliance, client privacy, labour practices and employment, business ethics and transparency are significant throughout our business, while aspects such as building and service quality, energy efficiency, physical security, safety and health, water management and sustainable procurement are more relevant to the investment and asset management part of our business.

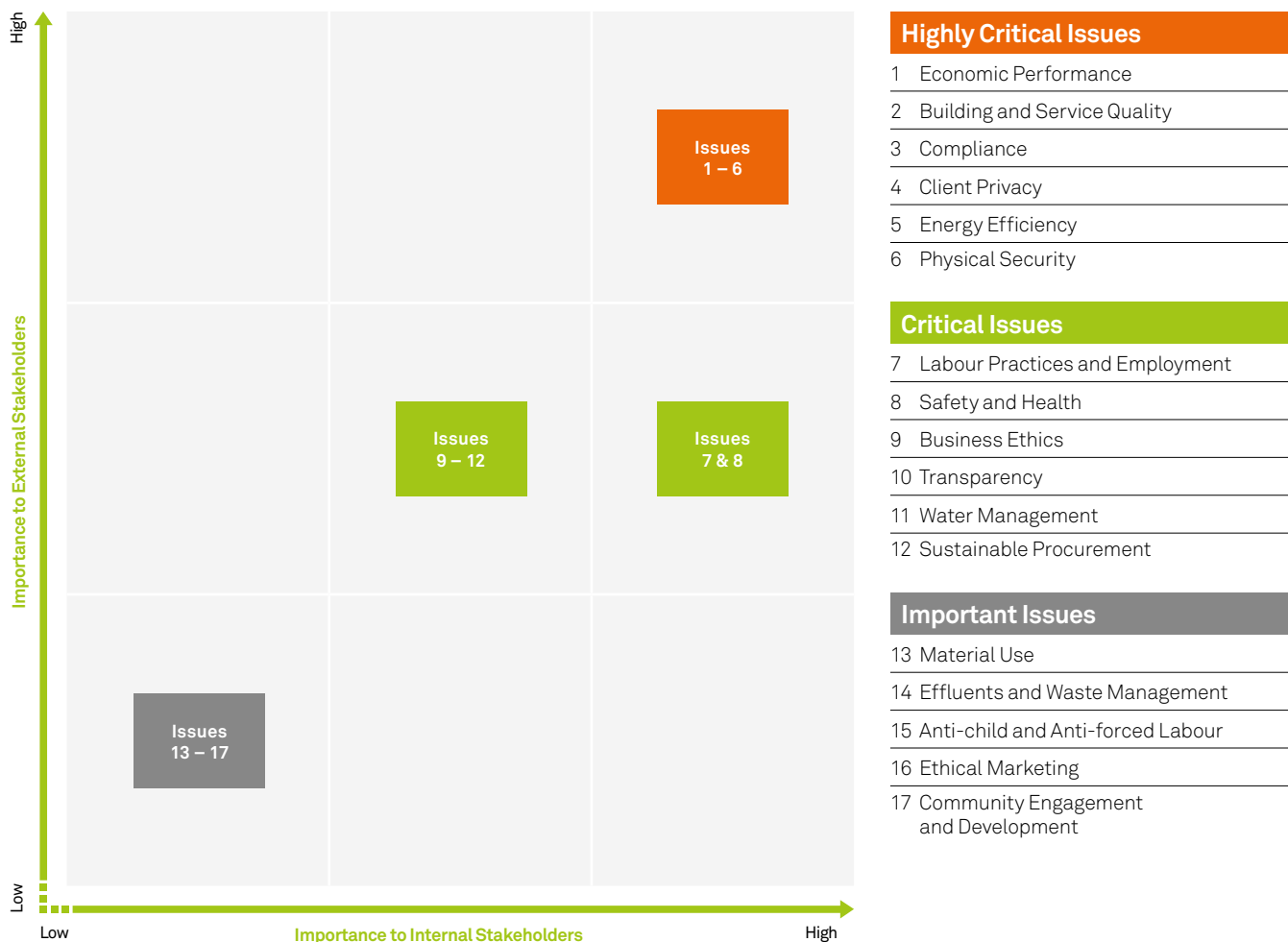
The Manager will monitor and review its material issues periodically based on feedback and stakeholder engagements.

Sustainability Management Structure



Managing Sustainability

Materiality Matrix*



* The issues within each tier have not been ranked.



Physical security has been identified by the Manager as one of its highly critical material issues.

Stakeholder Engagement

We engage our stakeholders through various platforms. Key stakeholder groups were identified at the materiality assessment workshop conducted in FY 2016, before the Manager implemented the sustainability reporting framework.

Key stakeholders were identified based on the extent of their ability to affect or be affected by Keppel DC REIT's business policies and developments.

Stakeholder engagements are typically conducted at least once annually, with many of our engagements undertaken quarterly, or on an ongoing basis. We also engage with our stakeholders as and when required on an ad-hoc basis.

We value ideas and feedback from our stakeholders. These will help to shape our business approaches so as to stay relevant and address concerns of our stakeholders in our engagement with them.

Strategic Memberships

The Manager is a member of the REIT Association of Singapore (REITAS) which

promotes the Singapore REIT (S-REIT) business and strives to enhance the operating and regulatory environment for S-REIT industry. It is also part of the Investor Relations Professionals Association of Singapore (IRPAS) that contributes to enhancing the overall standard of investor relations in Singapore.

In addition, the Manager subscribes to various industry research publications to keep abreast of industry developments.

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.

In Dublin, KDCR (Ireland) Limited is a member of the Large Industry Energy Network (LIEN), which is facilitated by the Sustainable Energy Authority of Ireland. LIEN comprises companies that voluntarily work together to develop robust energy management and exchange knowledge on energy efficiency enhancements.

Below is a summary of our stakeholder engagement approach:

Employees 	Investors 	Clients 	Business Partners 	Governments 
Objective Foster a cohesive identity and provide open feedback channels	Objective Ensure timely and accurate disclosure	Objective Build and enhance relationships with prospective and existing clients	Objective Align our values with suppliers to enhance operational resilience	Objective Collaborate and work alongside on issues of mutual interest
Engagement Employee engagement surveys, orientation programmes, training, staff appraisals	Engagement General Meetings, local and overseas investor roadshows, quarterly analyst teleconferences, corporate website, email feedback, meetings and conference calls	Engagement Annual surveys, onsite audits, meetings and functions with clients	Engagement Safety and operations workshops, periodic reviews and feedback sessions	Engagement Meetings, site visits and functions
Key Topics Vision and strategy; productivity and innovation; teamwork and collaboration; people development	Key Topics Business strategy and corporate developments; financial performance	Key Topics Building and service quality; health, safety and environmental matters	Key Topics Compliance; collaboration; health, safety and environmental matters	Key Topics Feedback on new guidelines; opportunities for business collaboration

Sustaining Growth

We are committed to upholding strong corporate governance and operating our business in an environmentally conscious manner.

Corporate Governance

Good corporate governance forms the backbone of Keppel DC REIT's operations and is essential to the sustainability of its business and performance.

A majority of the Manager's Board are independent directors, which ensures fair treatment of Unitholders and safeguards their interests. Material information is also disclosed to the investing community in a timely manner.

More details on Keppel DC REIT's corporate governance guidelines and practices are available on pages 139 to 175.

Risk Management and Business Continuity

We adopt a holistic and prudent risk management framework that identifies, evaluates and manages risks in decision-making processes. Sustainability and risk factors are taken into consideration when evaluating investment opportunities.

Potential risks that may affect the assets' operations are periodically assessed by the Manager and the respective facility managers to ensure optimal asset performance. Financial risks, interest rate and foreign currency exposure are closely monitored and mitigated where appropriate.

Business Continuity Management (BCM) is an integral part of the Group's risk management framework and the BCM framework ensures that the Manager and the facility managers address and manage potential threats and disruptions to business.

For more details on Keppel DC REIT's risk management strategy, please refer to pages 58 and 59.

Compliance, Anti-bribery and Corruption Measures

All new employees at every level are required to declare conflicts of interest. They are also briefed on our Employee Code of Conduct, anti-corruption policy and whistle-blowing procedures during their orientation. Apart from compliance-related trainings conducted during the year, the Keppel Group also conducts online annual training and declaration of Group policies.

The policies are readily available to employees in a shared portal. In addition, employees are responsible for the declaration of any conflicts of interests as and when necessary, and senior management are required to declare this annually. More details of such policies are available on pages 155 to 161.

We comply with the laws and regulations of the countries where we operate. We are not aware of any violation of laws, regulations and voluntary codes pertaining to the provision, use, health and safety of our products and services.

Supply Chain Management

Our supply chain mainly comprises suppliers of mechanical and electrical equipment as well as facility management services. Facility management services include physical security, technical maintenance and routine cleaning. These products and services are sourced and purchased locally in the cities of operation.

To uphold quality service to our clients and meet the stringent requirements of our global clientele, our facility managers assess the track record, quality and reputation of potential suppliers. We strive to ensure that environmental responsibility is an integral part of the suppliers' normal practice. In the selection of contractors, companies are required to submit their sustainability policies, procedures, accreditations and certifications, where applicable.

Safe work method statements outlining the agreed safe working practices



The Manager adopts a holistic and prudent risk management framework.

between our supplier and us are reviewed on a regular basis. Selected suppliers' performances are evaluated periodically and we will take action to ensure satisfactory service quality and safety standards through regular client interaction and surveys.

As all suppliers are sourced locally in the respective countries, we expect suppliers to abide by local laws on human rights and labour practices. No non-compliance cases with the law have been found among our suppliers during the year.

The Keppel Group introduced and implemented the Supplier Code of Conduct, which entered into effect at end 2016. The Code aims to integrate Keppel's sustainability principles across our supply chain, and positively influence the environmental, social and governance performance of our suppliers. Suppliers of the Keppel Group are expected to abide by the Code, which covers areas pertaining to business conduct, labour practices, safety and health, and environmental management.

Building and Service Excellence

Keppel DC REIT's portfolio comprises data centres with high technical

specifications and operational resilience that meet international standards. The REIT's assets serve a global clientele across industries such as internet enterprise and information technology services with stringent requirements. A breakdown of the REIT's client profile by trade sector is available on page 34 of this report.

As the REIT's data centres are mission-critical facilities for clients to store and manage their data, client privacy, physical security and minimal downtime of the facilities are of utmost importance.

The premises and clients' IT systems are well protected with a robust physical security system on a 24/7 basis. External parties visiting the facilities have to be registered and approved in advance to minimise the risks of unauthorised entry. Processes that safeguard client's privacy are audited annually.

During the year, the Manager did not receive any complaints on breaches relating to security and client privacy.

Strict operating processes and procedures ensure high availability of infrastructure to support clients' needs.

Equipment is periodically maintained and tested to ensure that they operate optimally and efficiently.

The Manager places strong emphasis on the BCM aspect of the REIT's data centres. BCM exercises are conducted annually to ensure preparedness and mitigate the impact to our business from potential scenarios such as power outages, fire drills and influenza pandemics.

Assets are proactively managed to optimise portfolio performance, while all growth opportunities are rigorously evaluated to ensure that acquisitions will complement the overall portfolio and drive long-term growth of the REIT.

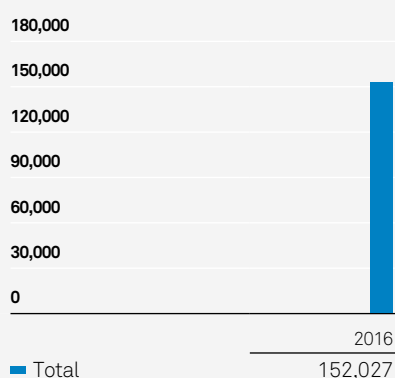
Operations across all sites are compliant with local regulations and standards. A list of accreditations and certifications attained by our assets is shown below.

The following table summarises our management systems and standards:

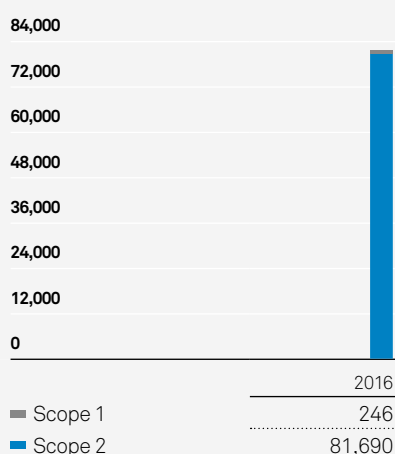
Asset	Award
KDC DUB 1	ISO 9001:2008 – Quality Management System
KDC DUB 1	ISO/IEC 27001:2013 – Information Security Management System
Gore Hill DC	ISO/IEC 27001:2013 – Information Security Management System
KDC SGP 1 & KDC SGP 2	SS 564 Part-1:2013 – Energy and Environment Management System
KDC SGP 1	ANSI/TIA-942 (2014) Tier 3
KDC SGP 2	ANSI/TIA-942 (2012) Tier 3
KDC SGP 1 & KDC SGP 2	SS 507:2008 – Business Continuity and Disaster Recovery
KDC SGP 1 & KDC SGP 2	SS 577:2012 – Water Efficiency Management System
KDC SGP 1 & KDC SGP 2	ISO 9001:2008 – Quality Management System
KDC SGP 1 & KDC SGP 2	ISO/IEC 27001:2013 – Information Security Management System
KDC SGP 1 & KDC SGP 2	Workplace Safety and Health Council – bizSAFE Level 3
KDC SGP 1 & KDC SGP 2	ISO 50001:2011 – Energy Management System
KDC SGP 2	BCA Green Mark Gold ^{Plus}
KDC SGP 1 & KDC SGP 2	Water Efficient Building by PUB
KDC SGP 1 & KDC SGP 2	WSH Risk Management Award (2014)

Sustaining Growth

Energy Consumption (MWh)



Carbon Emissions (tCO₂)^{1,2}



Energy and Water Management

As part of our continuous effort and commitment to long-term growth, we seek to manage our operations in a sustainable manner as we grow the REIT's data centre business. Power and water consumption patterns are monitored closely on a monthly basis at each asset level. The data collected is analysed and taken into consideration when making maintenance and investment decisions.

Energy Consumption and Emissions

Data centres involve mission-critical operations with high power requirements for accommodating IT equipment as well as the supporting cooling infrastructure needed to maintain optimal environmental conditions for the equipment. In our data centres, we maintain an environment with temperature and humidity suitable for hosting servers, in accordance with respective clients' service level agreements. During the year, our facilities consumed a total of 152,027 MWh of energy.

Greenhouse gas (GHG) emissions from our data centre operations comprise mainly Scope 1 direct emissions from fuel consumption and Scope 2 indirect emissions from grid electricity consumption. Grid-supplied electricity forms the majority of our total

electricity consumption while diesel fuel is used in our data centre operations to power back-up generators in the respective facilities.

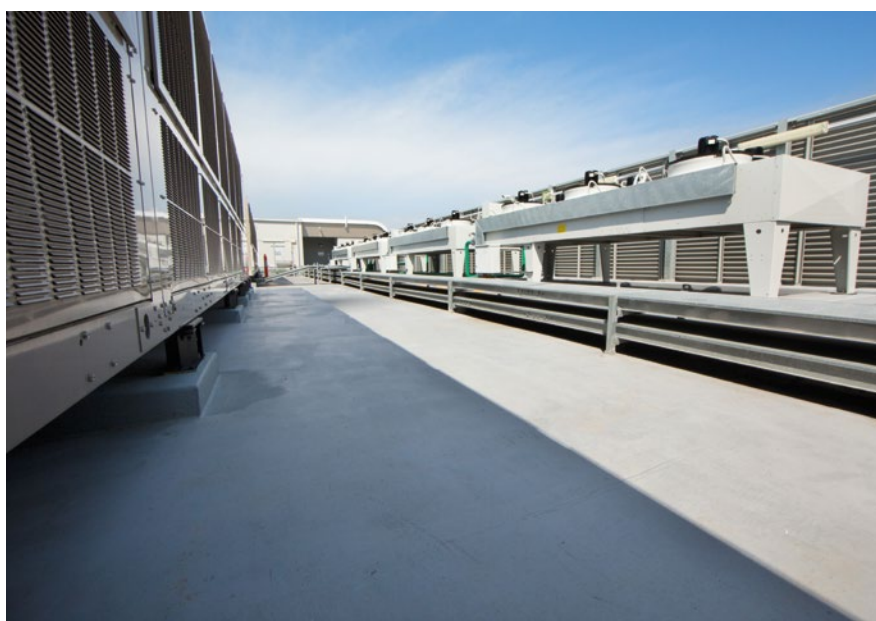
Emissions are computed based on the internationally accepted conversion factors¹ and classified using the GHG Protocol². In 2016, Scope 1 carbon emissions from the use of diesel amounted to 246 tonnes, and our Scope 2 carbon emissions from electricity consumption amounted to 81,690 tonnes.

Although overall power usage is expected to increase in tandem with business growth, we are conscious of our electricity consumption and have been adopting initiatives to optimise energy usage intensity – measured by Power Usage Effectiveness (PUE) levels – of the facilities. As part of our efforts to reduce our carbon footprint, data centres like Gore Hill DC and KDC DUB 1 use electricity generated from renewable resources.

Water Consumption

Water usage in our data centres stems mainly from usage in the chilled water cooling systems and comes from municipal sources. The water used is mostly recirculated within the system. During the year, our facilities consumed a total of 152,314m³ of water.

Energy-saving initiatives have been introduced at Gore Hill Data Centre.



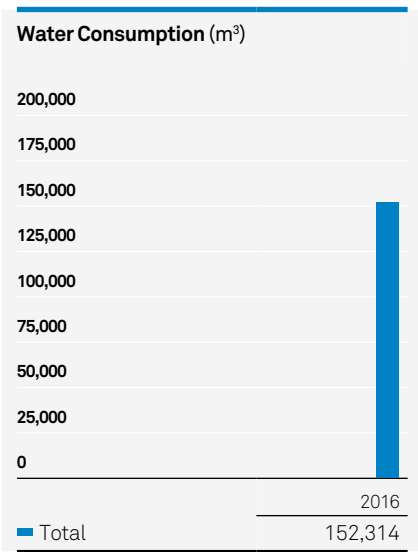
Conservation Efforts

Various initiatives are implemented by our facility managers to reduce environmental impact and ensure compliance with all local environmental regulations. Examples of these energy-saving and environmental conservation efforts include:

- Noise pollution control in our Singapore facilities by enclosing the Diesel Rotary Uninterruptible Power Supply (DRUPS) equipment in a container
- Implementation of an awareness campaign in KDC DUB 1 to drive environmental awareness within the facility and encourage staff to identify energy-saving opportunities
- Energy-saving initiatives in Gore Hill DC, such as the installation and use of free-air cooling fans in several data halls

Our facility managers also proactively explore ways to optimise cooling. For instance, cold aisle containment is implemented in some of the data halls for more efficient cooling by isolating hot air from cold air. This, in turn, translates to energy and cost savings.

In addition, water conservation measures are adopted at some of our facilities. For instance, Gore Hill DC recycles rainwater for irrigation.



¹ Sources for conversion factors: EMA 2016 for Singapore, SEAI 2016 for Ireland, Department of the Environment for Australia, and United Kingdom Department for Environment, Food and Rural Affairs (DEFRA) 2016. GHG emissions are reported in CO₂ for Singapore and Ireland. Australia's is reported in CO₂e.

² The GHG emission scopes 1 and 2 are defined by the GHG Protocol. Scope 1 refers to emission from company owned and operated facilities, machines, vehicles, etc. Scope 2 refers to emission from sources external to the company, but which provide the company with a service such as power plants and other utilities.



Power and water consumption patterns are monitored on a monthly basis.

Empowering Lives

We believe in developing a motivated, committed and competent workforce.

We believe that people form the core of a successful business. The Manager is committed to develop a motivated and competent workforce through its human resource strategy. This strategy is three-pronged, focusing on career development, employee welfare and employee engagement.

Talent Attraction and Retention

The Manager embraces diversity regardless of gender, age or ethnicity, and provides a collaborative environment for employees to be constantly engaged and motivated to perform well on their jobs.

As at 31 December 2016, the Manager employed 19 staff in Singapore of whom one is a contract staff. During the year, eight new hires joined the Manager due to business expansion as well as staff

attrition. Average monthly turnover rate for 2016 was 2.2%.

95% of our employees hold tertiary qualifications and above. This includes Diploma, Bachelor's and Master's degree holders. 5% of our employees hold technical or trade certificates.

Policies and Practices

The Manager is committed to providing a fair and inclusive work environment based on meritocracy for all our employees. We also abide by local employment laws in all the countries where we operate.

We strive to uphold the fair employment practices as recommended by Singapore's Tripartite Alliance for Fair and Progressive Employment Practices.

Career Development



Objective

To nurture, develop and empower staff to attain their best potential

Approach

Performance management, talent management, learning and development

Employee Welfare



Objective

To enhance overall staff wellness

Approach

Promote wellness to foster a healthy workforce

Employee Engagement



Objective

To foster a cohesive identity within the company and provide open feedback channels

Approach

Encourage open two-way communication, rewards and recognition system, team-building

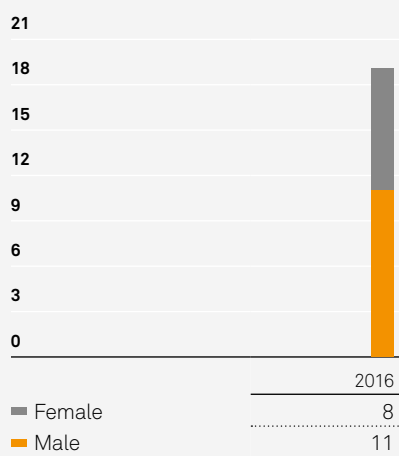


The Manager's three-pronged human resource strategy focuses on career development, employee welfare and employee engagement.

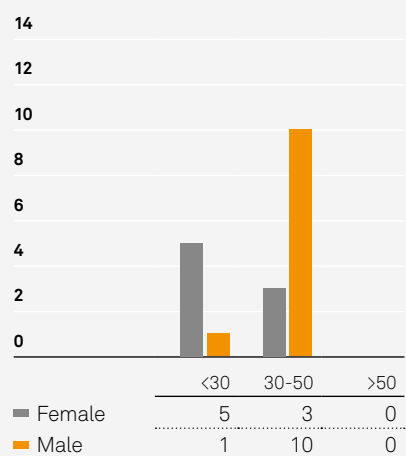
Upon joining the Manager, all new employees are briefed on the following key policies:

1. **Employee Code of Conduct**
To address standards of expected employee conduct including safety, workplace harassment, business conduct and conflict of interest;
2. **Anti-bribery and Corruption**
To address what constitutes bribery and corruption, the consequences of committing bribery offences and possible courses of actions;
3. **Insider Trading Policy**
To ensure compliance with all laws and regulations when dealing with the REIT's securities;
4. **Competition Law Compliance**
To ensure compliance with the Competition Act which prohibits anti-competitive agreements and the abuse of dominant position;
5. **End-user Computing**
To inform on the responsibilities as a user of Keppel's computing resources;
6. **Safeguarding Information**
To establish the minimum standards in using all corporate information and information assets, including but not limited to infrastructure, IT systems, applications, devices and connections;
7. **Public Affairs, Communications and Branding**
To provide parameters when promoting and enhancing the REIT's branding and reputation;
8. **Whistle-blower Protection**
To encourage the reporting in good faith of suspected reportable conduct, provide clearly defined processes through which such reports may be made with confidence that employees and other persons making such reports will be treated fairly;
9. **Personal Data Protection**
To govern the collection, use and disclosure of individuals' personal data by organisations in a manner that recognises both the right of individuals to protect their personal data and the need of organisations to collect, use and disclose personal data; and
10. **Telemarketing**
To establish guidelines on any existing or proposed activities involving the sending of telemarketing messages.

Employee Profile by Gender



Employee Profile by Age and Gender



New Hires in 2016

	Singapore
New hires in 2016	8
As a % of total employees	
New hires who are women	21%
New hires who are below 30 years old	21%
New hires who are between 30 to 50 years old	21%
New hires who are over 50 years old	—



Employees underwent an average of 30 training hours per employee in 2016.

Empowering Lives

Provision of Benefits

The Manager complies with all the statutory regulations relating to employment terms and benefits to offer employees competitive and sustainable compensation.

All employees are provided with:

- Group personal accident and group term life insurance;
- Outpatient and inpatient hospital and surgical healthcare coverage;
- Contribution to local pension fund (Central Provident Fund in Singapore)

In addition to the benefits required by local labour legislation, the Manager also provides other benefits such as childcare, maternity, paternity, marriage, compassionate and examination leave.

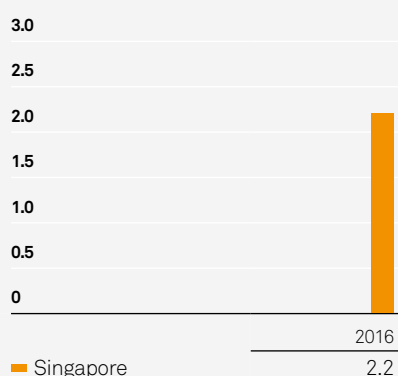
The Manager is non-unionised and there are no collective bargaining agreements.

Career Development

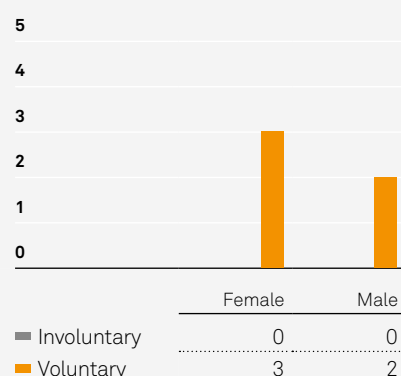
Performance Management

The Manager actively advocates a performance-based culture where every employee undergoes an annual performance assessment. Supervisors and employees will jointly discuss performance goals based on a scorecard focusing on five clear and measurable key areas: Financial, Process, Customers/ Stakeholders, People, as well as Collaboration and Synergy.

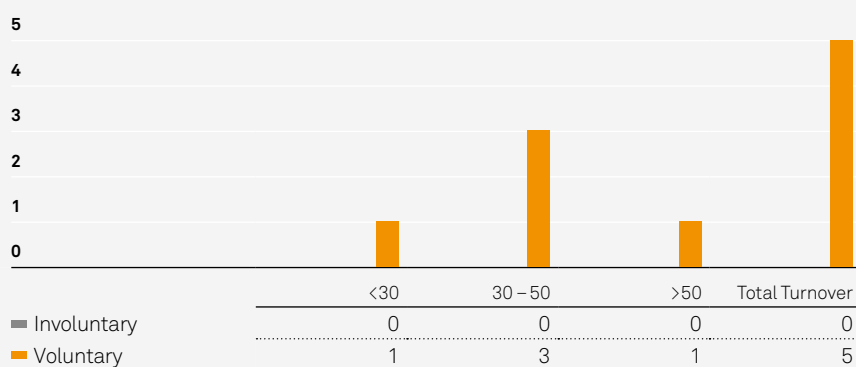
Average Monthly Turnover Rate (%)



Employee Turnover by Gender



Employee Turnover by Age



The Manager provides employees opportunities to thrive, with a performance-based culture.

Succession Planning and Talent Management

Succession planning and talent management continue to be a key priority of the Manager to build and develop its bench strength in ensuring business continuity. The framework is reviewed at least twice a year by senior management as well as the Board to ensure high potential employees are identified and groomed for leadership succession.

The Manager also actively seeks out young talents with leadership potential through a new Leadership Potential Assessment Tool introduced this year. Identified talents were given opportunities to enhance their work experiences through stretch assignments, rotation opportunities or leadership roles.

Identified talents also benefit from learning and development opportunities such as training courses that hone their leadership, strategic management, critical and analytical thinking skills as well as greater exposure to senior management and Board members.

Learning and Development

We recognise the importance of investing in our people for their professional development. The Manager provides employees opportunities to upgrade themselves through internal and

external courses or seminars. We encourage employees to pursue higher qualifications and private courses related to their field of work and provide them up to seven days of examination leave per year.

In 2016, \$14,648 was invested in training and employees underwent a total of 576 training hours. The average training hours per employee was 30 hours.

Employee Engagement

An Employee Engagement Pulse Survey was conducted in August 2016 to monitor progress made since the survey that was administered a year ago by an independent consultant. We achieved 100% participation rate and obtained an overall improved engagement score of 96%.

Employee Health and Wellness

The Manager had various corporate activities during the year to promote staff well-being and forge closer ties among employees. These included Lunar New Year celebrations and staff bonding sessions.

The Manager also seeks to promote wellness and foster a healthy workforce. Healthy snacks are distributed on a monthly basis to all employees to advocate good eating habits and regular health screening programmes are also made available to them.

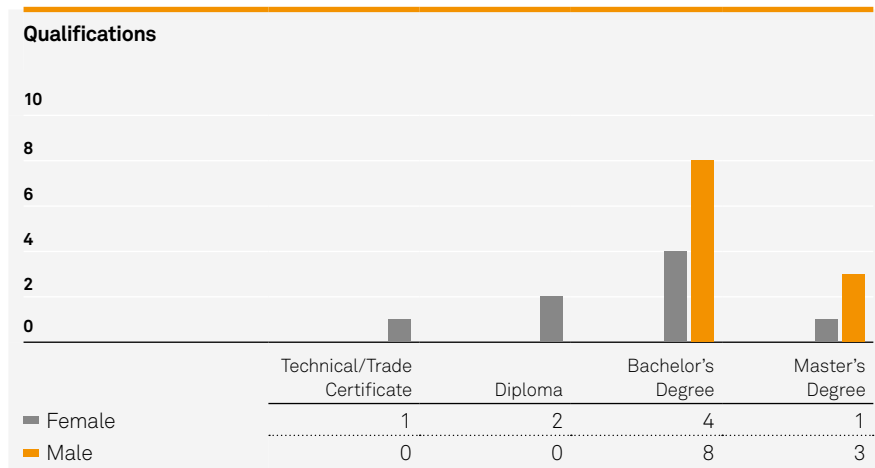
Singapore's Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP) – Key Principles

- Recruit and select employees on the basis of merit (such as skills, experience or ability to perform the job), regardless of age, race, gender, religion, marital status and family responsibilities, or disability;
- Treat employees fairly and with respect and put in place progressive human resource management systems;
- Provide employees with equal opportunities to be considered for training and development based on their strengths and needs, to help them achieve their full potential;
- Reward employees fairly based on their ability, performance, contribution and experience; and
- Abide by labour laws and adopt the Tripartite Guidelines on Fair Employment Practices.

Turnover in 2016

	Singapore
Involuntary turnover in 2016	0
Voluntary turnover in 2016	5
As a % of total employees	
Turnover who are women	16%
Turnover who are below 30 years old	5%
Turnover who are between 30 to 50 years old	16%
Turnover who are over 50 years old	5%

Empowering Lives



The Manager believes that maintaining an appropriate work-life balance is essential to the well-being of our employees.

Employees are able to enjoy quality time with their families at popular leisure destinations such as the Singapore Zoo and River Safari with complimentary entry passes.

We also support the “Eat with Your Family Day” initiative organised by the Centre for Fathering to promote the importance of family ties and to recognise families as the basic unit of our society.

Health and Safety

The Manager upholds safety as a core value. Safety is an integral part of the workplace culture and the Manager is committed to creating a safe workplace for all its employees and other stakeholders. It strives to create a zero-incident workplace by working closely with the respective facility managers of the data centres.

Regular safety briefings and site inspections are conducted within facilities to ensure that safety standards are upheld. Visitors to the data centres, including clients, are briefed on emergency evacuation procedures in the event of a fire. Fire evacuation routes are also displayed at various locations in the data centres.

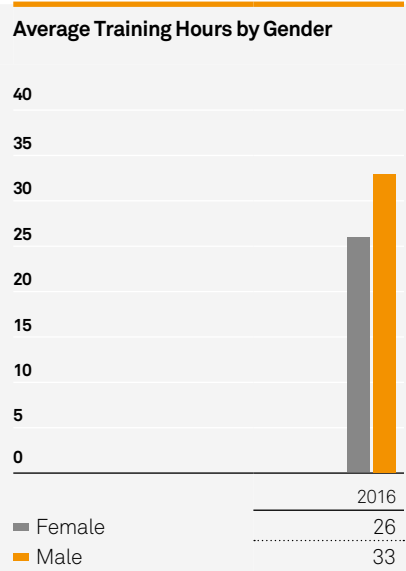
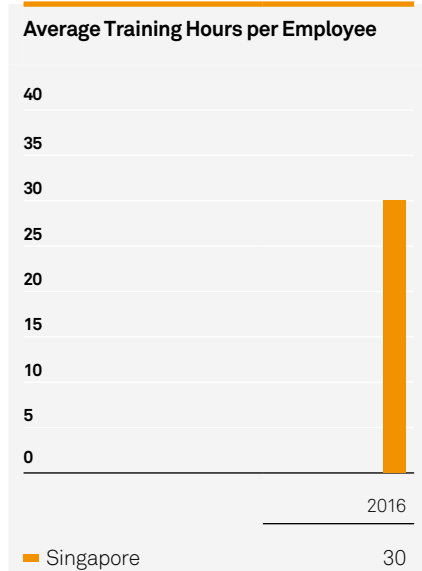
Equipment is regularly maintained and inspected by qualified specialists, while high voltage equipment are protected by extensive fire protection systems to ensure the safety of our staff, vendors, clients and for the continuity of operations.

The Manager has in place a systematic incident reporting structure to ensure that senior management and relevant safety personnel are kept abreast of incidents. Incidents, if any, are addressed immediately with the appropriate corrective measures implemented.

We had no fatalities or injuries during FY 2016 at our workplaces. Correspondingly, the Accident Severity and Accident Frequency rates were both zero.

Similarly, no injuries or fatalities of our clients, contractors and facility managers have been reported at our assets in FY 2016.

The Manager will continue to instil a strong safety culture for the benefit of all its stakeholders.



The Manager upholds safety as a core value and is committed to providing a safe workplace for all stakeholders.



Nurturing Communities

We nurture and engage communities wherever we operate.

The Manager believes that in doing well, it should also do good.

In line with the Keppel Group's commitment to contribute meaningfully to the well-being of the communities we operate in, the Manager continued to touch the lives of the less privileged during the year.

On 5 August 2016, the Manager collaborated with Keppel REIT Management Limited, Alpha Investment Partners Limited and Keppel Infrastructure Fund Management Pte. Ltd. under the newly inaugurated Keppel Capital Holdings Pte. Ltd. (Keppel Capital) to bring joy to a group of elderly from Thye Hua Kwan Moral Charities. Approximately 130 employees across Keppel Capital engaged the elderly

over a ukulele and singing session that afternoon.

Keppel DC REIT also contributes to the Keppel Group's philanthropic arm, Keppel Care Foundation, which supports regular and diverse initiatives that assist the underprivileged, promote education, and encourage eco-consciousness.

The Manager supports a culture of volunteerism and encourages its employees to participate in community outreach projects through Keppel Volunteers, a Keppel Group-wide volunteer body.

Employees are provided two days of paid volunteerism leave each year to participate in community outreach initiatives within the Keppel Group.

The Manager believes that in doing well, it should also do good.



The Manager supports a culture of volunteerism and encourages its employees to participate in community outreach projects.

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G4-12	Organisation's supply chain	●	66-67
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G4-19	List all the material Aspects identified in the process for defining report content	●	63-64
G4-20	For each material Aspect, report the Aspect Boundary within the organisation	●	63
G4-21	For each material Aspect, report the Aspect Boundary outside the organisation	●	63
G4-22	Explanation of any restatements of information provided in previous reports, and the reasons for such restatements	●	Not applicable as this is our first GRI Sustainability Report
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	●	Not applicable as this is our first GRI Sustainability Report

Legend ● Fully reported ○ Partially reported

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Legend ● Fully reported ○ Partially reported

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Legend ● Fully reported ⓘ Partially reported			

		Disclosure	Reference page
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Legend ● Fully reported ○ Partially reported

Corporate Information

Trustee

Perpetual (Asia) Limited

Registered Address
8 Marina Boulevard #05-02
Marina Bay Financial Centre Tower 1
Singapore 018981
Phone: +65 6908 8203
Fax: +65 6438 0255

Principal Business Address
16 Collyer Quay
#26-02
Singapore 049318

Auditor

KPMG LLP

16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Phone: +65 6213 3388
Fax: +65 6225 2230
(Partner-in-charge: Mr David Waller)
(With effect from financial year ended
31 December 2016)

The Manager

Keppel DC REIT Management Pte. Ltd.

(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 1649
Email: investor.relations@keppeldcreit.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
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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/depositary

Company Secretary

Mr Kelvin Chua

Directors of the Manager

Mr Chan Hon Chew

Chairman, Non-Executive and Non-Independent Director

Mr Lee Chiang Huat

Non-Executive and Independent Director

Mr Leong Weng Chee

Non-Executive and Independent Director

Mr Lim Chin Hu

Non-Executive and Independent Director

Mr Dileep Nair

Non-Executive and Independent Director

Mr Richard Teo Cheng Hiang

Non-Executive and Independent Director

Dr Tan Tin Wee

Non-Executive and Independent Director

Mr Thomas Pang Thieng Hwi

Non-Executive and Non-Independent Director

Ms Christina Tan Hua Mui

Non-Executive and Non-Independent Director

Audit and Risk Committee

Mr Lee Chiang Huat

Chairman

Mr Chan Hon Chew

Mr Dileep Nair

Mr Richard Teo Cheng Hiang

Executive Committee

Mr Chan Hon Chew

Chairman

Mr Lim Chin Hu

Mr Leong Weng Chee

Dr Tan Tin Wee

Ms Christina Tan Hua Mui

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Report of the Trustee

For the financial year ended 31 December 2016

Perpetual (Asia) Limited (the “Trustee”) (formerly known as “The Trust Company (Asia) Limited”) is under a duty to take into custody and hold the assets of Keppel DC REIT (the “Trust”) and its subsidiaries (collectively, the “Group”) in trust for the holders of units (“Unitholders”) in the Trust. In accordance with, inter alia, the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes and the Listing Manual (collectively referred to as the “laws and regulations”), the Trustee shall monitor the activities of Keppel DC REIT Management Pte. Ltd. (the “Manager”) for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 17 March 2011 (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 which shall contain the matters prescribed by the laws and regulations as well as 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.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed Keppel DC REIT and its subsidiaries during the period covered by these financial statements, set out on pages 87 to 137 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of the Trustee,
Perpetual (Asia) Limited



Sin Li Choo
Director

Singapore
15 February 2017

Statement by the Manager

For the financial year ended 31 December 2016

In the opinion of the directors of Keppel DC REIT Management Pte. Ltd., the accompanying financial statements of Keppel DC REIT (the “Trust”) and its subsidiaries (collectively, the “Group”) set out on pages 87 to 137, comprising the Statements of Financial Position for the Group and the Trust and the Consolidated Portfolio Statement of the Group as at 31 December 2016, the Consolidated Statement of Total Return of the Group, the Statements of Movements in Unitholders’ Funds of the Group and the Trust and the Distribution Statement and Consolidated Statement of Cash Flows of the Group, and the Notes to the Financial Statements for the year have been 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 consolidated total return of the Group, movements in Unitholders’ funds of the Group and the Trust, and distribution statement and consolidated cash flows of the Group for the year ended 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 dated 17 March 2011 (as amended). At the date of this statement, there are reasonable grounds to believe that the Trust will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager,
Keppel DC REIT Management Pte. Ltd.

A handwritten signature in black ink, appearing to read 'Christina', with a stylized flourish underneath.

Christina Tan Hua Mui
Director

Singapore
15 February 2017

Independent Auditors' Report

Unitholders of Keppel DC REIT

(Constituted under a Trust Deed in the Republic of Singapore)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Keppel DC REIT (the "Trust") and its subsidiaries (the "Group"), which comprise the Statements of Financial Position of the Group and the Trust and the Consolidated Portfolio Statement of the Group as at 31 December 2016, the Consolidated Statement of Total Return of the Group, Statements of Movements in Unitholders' Funds of the Group and the Trust and Distribution Statement and Consolidated Statement of Cash Flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 87 to 137.

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of movements in Unitholders' funds of the Trust present fairly, in all material respects, the financial position of the Group and the Trust as at 31 December 2016 and the portfolio holdings, total return, distributable income, movements in Unitholders' funds and cash flows of the Group and movement in Unitholders' funds of the Trust for the year then ended 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.

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 Auditors' responsibilities for the audit of the financial statements section of our report. 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), and we have fulfilled our other ethical responsibilities in accordance with the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 of the current period. 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.

Valuation of investment properties

(Refer to Notes 4 and 24 to the financial statements)

Risk:

The Group owns a portfolio of investment properties comprising data centres located in Singapore, Malaysia, Australia and four countries in Europe. Investment properties represent the single largest category of assets on the statement of financial position, at \$1,226 million as at 31 December 2016.

These investment properties are stated at their fair values based on independent external valuations.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving at the capitalisation, discount and terminal yield rates i.e. a small change in the assumptions can have a significant impact to the valuation.

Our response:

We assessed the Group's processes for the selection of the external valuers, the determination of the scope of work of the valuers, and the review and acceptance of the valuations reported by the external valuers.

We evaluated the qualifications and competence of the external valuers. We also read the terms of engagement of the valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.

We considered the valuation methodologies used against those applied by other valuers for similar property types. We also considered other alternative valuation methods. We tested the integrity of inputs of the projected cash flows used in the valuation to supporting leases and other documents. We challenged the capitalisation, discount and terminal yield rates used in the valuation by comparing them against historical rates and available industry data, taking into consideration the comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors.

We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationship between the key unobservable inputs and fair values, in conveying the uncertainties.

Our findings:

The Group has a structured process in appointing and instructing valuers, and in reviewing, challenging and accepting their valuations. The valuers are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out their work. The valuation methodologies used are in line with generally accepted market practices and the key assumptions used are within the range of market data.

The disclosures in the financial statements are appropriate.

Other information

Keppel DC REIT Management Pte. Ltd., the Manager of the Trust (the “Manager”), is responsible for the other information. The other information comprises the Statement by the Manager, Key Figures, Group Financial Highlights, Group Quarterly Results, Market Review, Portfolio Review and Financial Review, which we obtained prior to the date of this auditors’ report, and the other information in the Annual Report, 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 auditors’ 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 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Manager and take appropriate actions in accordance with SSAs.

Responsibilities of the Manager 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 operations of the Group, or has no realistic alternative but to do so.

The Manager’s responsibilities include overseeing the Group’s financial reporting process.

Auditors’ 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 auditors’ 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.

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.

Independent Auditors' Report

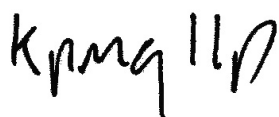
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we 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 or 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 auditors' report is David Waller.



KPMG LLP

Public Accountants and
Chartered Accountants

Singapore

15 February 2017

Statements of Financial Position

As at 31 December 2016

	Note	Group		Trust	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Non-current assets					
Investment properties	4	1,225,938	1,102,685	455,000	454,000
Investment in subsidiaries	5	–	–	515,724	390,454
Loans to subsidiaries	6	–	–	160,236	156,440
Deposit	7	12,920	12,744	–	–
Intangible assets	8	3,999	–	3,999	–
Derivative financial assets	16	1,685	4,200	642	564
Deferred tax assets	17	145	312	–	–
		1,244,687	1,119,941	1,135,601	1,001,458
Current assets					
Trade and other receivables	9	38,691	53,060	17,102	33,023
Derivative financial assets	16	1,663	1,009	1,663	1,009
Cash and cash equivalents	10	297,958	37,161	273,742	26,707
		338,312	91,230	292,507	60,739
Total assets		1,582,999	1,211,171	1,428,108	1,062,197
Current liabilities					
Loans from a subsidiary	13	–	–	3,123	30,208
Loans and borrowings	14	6,655	33,643	–	–
Trade and other payables	15	27,990	17,785	14,281	7,898
Derivative financial liabilities	16	499	139	499	139
		35,144	51,567	17,903	38,245
Non-current liabilities					
Loans from a subsidiary	13	–	–	436,198	311,640
Loans and borrowings	14	464,034	338,337	–	–
Derivative financial liabilities	16	2,148	1,721	171	361
Deferred tax liabilities	17	7,805	6,058	4	–
		473,987	346,116	436,373	312,001
Total liabilities		509,131	397,683	454,276	350,246
Net assets		1,073,868	813,488	973,832	711,951
Represented by:					
Unitholders' funds	11	1,073,525	813,114	973,832	711,951
Non-controlling interest	21	343	374	–	–
		1,073,868	813,488	973,832	711,951
Units in issue ('000)	12	1,125,210	882,977	1,125,210	882,977
Net asset value per Unit (\$)		0.954	0.921	0.865	0.806

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Total Return

For the financial year ended 31 December 2016

	Note	Group	
		2016 \$'000	2015 \$'000
Gross revenue	18	99,139	102,462
Property operating expenses		(8,203)	(15,590)
Net property income		90,936	86,872
Finance income		1,293	321
Finance costs	19	(12,768)	(11,710)
Trustee fees		(180)	(180)
Manager's base fee		(5,563)	(5,011)
Manager's performance fee		(3,070)	(3,262)
Audit fees		(261)	(257)
Valuation fees		(276)	(181)
Net realised gains on derivatives		1,776	771
Other trust (expenses)/income		(207)	798
Net income		71,680	68,161
Net change in fair value of investment properties	4	(13,994)	41,879
Total return for the year before tax		57,686	110,040
Tax expenses	20	(6,743)	(5,577)
Total return for the year after tax		50,943	104,463
Total return attributable to:			
Unitholders		50,937	104,424
Non-controlling interest	21	6	39
Total return for the year		50,943	104,463
Earnings per Unit (cents)			
- Basic and diluted	22	5.58	11.83
- Basic and diluted (excluding net change in fair value of investment properties and their related deferred tax impact)	22	7.43	7.28

The accompanying notes form an integral part of these financial statements.

Statement of Movements in Unitholders' Funds

For the financial year ended 31 December 2016

	Note	Unitholders' Funds \$'000	Non-controlling Interest \$'000	Total \$'000
Group				
At 1 January 2016		813,114	374	813,488
Operations				
Total return for the year		50,937	6	50,943
Net increase in net assets resulting from operations		50,937	6	50,943
Unitholders' transactions				
Distributions to Unitholders		(58,458)	–	(58,458)
Net increase in net assets resulting from Unitholders' contribution	12	275,318	–	275,318
Payment of management fees in Units	12	264	–	264
Net increase in net assets resulting from Unitholders' transactions		217,124	–	217,124
Dividends paid to a non-controlling interest		–	(31)	(31)
Hedging reserve				
Movement in hedging reserve		(2,549)	–	(2,549)
Net decrease in hedging reserve		(2,549)	–	(2,549)
Foreign currency translation movement for the year		(5,101)	(6)	(5,107)
At 31 December 2016		1,073,525	343	1,073,868

The accompanying notes form an integral part of these financial statements.

Statement of Movements in Unitholders' Funds

	Note	Unitholders' Funds \$'000	Non-controlling Interest \$'000	Total \$'000
Group				
At 1 January 2015		772,587	441	773,028
Operations				
Total return for the year		104,424	39	104,463
Net increase in net assets resulting from operations		104,424	39	104,463
Unitholders' transactions				
Distributions to Unitholders		(31,432)	–	(31,432)
Payment of management fees in Units	12	47	–	47
Net decrease in net assets resulting from Unitholders' transactions		(31,385)	–	(31,385)
Dividends paid to a non-controlling interest		–	(38)	(38)
Hedging reserve				
Movement in hedging reserve		2,860	–	2,860
Net increase in hedging reserve		2,860	–	2,860
Foreign currency translation movement for the year		(35,372)	(68)	(35,440)
At 31 December 2015		813,114	374	813,488

The accompanying notes form an integral part of these financial statements.

	Note	2016 \$'000	2015 \$'000
Trust			
At 1 January		711,951	669,140
Operations			
Total return for the year		44,195	73,123
Net increase in net assets resulting from operations		44,195	73,123
Unitholders' transactions			
Distributions to Unitholders		(58,458)	(31,432)
Net increase in net assets resulting from Unitholders' contribution	12	275,318	–
Payment of management fees in Units	12	264	47
Net increase/(decrease) in net assets resulting from Unitholders' transactions		217,124	(31,385)
Hedging reserve			
Movement in hedging reserve		562	1,073
Net increase in hedging reserve		562	1,073
At 31 December		973,832	711,951

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2016

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Total return for the year		50,943	104,463
Adjustments for:			
Tax expenses		6,743	5,577
Finance income		(1,293)	(321)
Finance costs		12,768	11,710
Amortisation of intangible asset	8	509	–
Net change in fair value of investment properties	4	13,994	(41,879)
Management fees paid in Units		264	47
		83,928	79,597
Changes in working capital:			
Trade and other receivables		(5,480)	(20,178)
Trade and other payables		(1,522)	(4,548)
Cash generated from operations		76,926	54,871
Income tax paid		(1,180)	(160)
Net cash from operating activities		75,746	54,711
Cash flows from investing activities			
Acquisition of investment properties		(110,914)	(43,595)
Acquisition of intangible asset	8	(4,508)	–
Rental top up received		4,508	–
Additions to investment properties	4	(5,457)	(7,702)
Capital expenditure on investment properties	4	(4,352)	(308)
Net cash used in investing activities		(120,723)	(51,605)
Cash flows from financing activities			
Proceeds from issuance of Units	12	279,497	–
Proceeds from bank borrowings		188,808	74,577
Payment of financing transaction costs		(192)	(106)
Repayment of bank borrowings		(92,557)	(17,758)
Finance costs paid		(11,891)	(10,803)
Distributions paid to Unitholders		(58,458)	(31,432)
Dividends paid to a non-controlling interest		(31)	(38)
Repayment of amount due to a related corporation		–	(1,712)
Payment of transaction costs relating to fund-raising		(3,186)	(3,548)
Net cash from financing activities		301,990	9,180
Net increase in cash and cash equivalents		257,013	12,286
Cash and cash equivalents at beginning of the year		37,161	25,537
Effects of exchange rate fluctuations on cash held		(215)	(662)
Cash and cash equivalents at end of the year	10	293,959	37,161
Cash and cash equivalent balances		297,958	37,161
Less: Rental top up received in advance held in a designated account (Note A)		(3,999)	–
Cash and cash equivalents per Consolidated Statement of Cash Flows		293,959	37,161

Note A – Rental top up received in advance held in a designated account

This relates to the rental top up payments received in advance by the Group held in a designated account for the 100% interest in a newly acquired overseas asset.

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
Amount available for distribution to Unitholders at beginning of the year	28,962	2,954
Total return for the year attributable to Unitholders after tax	50,937	104,424
Net tax and other adjustments (Note A)	10,111	(46,984)
Amount available for distribution to Unitholders	90,010	60,394
Distributions to Unitholders:		
Distribution of 3.56 cents per Unit for the period from 12/12/2014 to 30/6/2015	—	(31,432)
Distribution of 3.28 cents per Unit for the period from 1/7/2015 to 31/12/2015	(28,962)	—
Distribution of 3.34 cents per Unit for the period from 1/1/2016 to 30/6/2016	(29,496)	—
	(58,458)	(31,432)
Amount available for distribution to Unitholders at end of the year	31,552	28,962

Note A:

Net tax and other adjustments comprise:

	Group	
	2016 \$'000	2015 \$'000
Trustee's fees	180	180
Rental income adjustment on a straight-line basis	608	(2,360)
Amortisation of capitalised debt costs	357	368
Net fair value losses/(gains) in investment properties	13,994	(41,879)
Unrealised foreign exchange gains	(1,735)	(3,917)
Deferred tax	1,962	2,953
Amortisation of intangible asset	509	—
Other net tax adjustments ⁺	(5,764)	(2,329)
	10,111	(46,984)

+ Net of non-controlling interest

The accompanying notes form an integral part of these financial statements.

Consolidated Portfolio Statement

For the financial year ended 31 December 2016

Description of investment properties	Location	Land tenure	Term of lease*	Remaining term of lease*	Carrying amount at fair value 2016 \$'000	Carrying amount at fair value 2015 \$'000	Percentage of total net assets 2016 %	Percentage of total net assets 2015 %
Fully fitted								
iseek Data Centre ("iseek DC")	Brisbane, Queensland, Australia	Leasehold	37	30	43,905	38,652	4.1	4.8
GV7 Data Centre ("GV7 DC")	Greenwich, London, England	Leasehold	199	166	67,518	82,243	6.3	10.1
Basis Bay Data Centre ("Basis Bay DC")	Cyberjaya, Malaysia	Freehold	Not applicable	Not applicable	34,936	37,461	3.2	4.6
Almere Data Centre ("Almere DC")	Amsterdam, The Netherlands	Freehold	Not applicable	Not applicable	137,660	129,715	12.8	16.0
Shell and core								
Intellicentre 2 Data Centre ("IC2 DC")	Macquarie Park, New South Wales, Australia	Freehold	Not applicable	Not applicable	49,244	47,967	4.6	5.9
Cardiff Data Centre ("Cardiff DC")	Cardiff, United Kingdom	Freehold	Not applicable	Not applicable	60,411	–	5.6	–
Milan Data Centre ("Milan DC")	Milan, Italy	Freehold	Not applicable	Not applicable	53,372	–	5.0	–
Colocation								
Gore Hill Data Centre ("Gore Hill DC")	Artarmon, New South Wales, Australia	Freehold	Not applicable	Not applicable	219,672	202,820	20.5	24.9
Keppel DC Singapore 1 ("KDC SGP 1") (f.k.a. S25)	Serangoon, Singapore	Leasehold	60	38	279,000	275,000	26.0	33.8
Keppel DC Singapore 2 ("KDC SGP 2") (f.k.a. T25)	Tampines, Singapore	Leasehold	60	34	176,000	179,000	16.4	22.0
Keppel DC Dublin 1 ("KDC DUB 1") (f.k.a. Citadel 100 Data Centre)	Dublin, Republic of Ireland	Leasehold	40	24	104,220	109,827	9.7	13.5
Total investment properties at fair value					1,225,938	1,102,685	114.2	135.6
Other assets and liabilities (net)					(152,070)	(289,197)	(14.2)	(35.6)
Total net assets of the Group					1,073,868	813,488	100.0	100.0

* Term of lease includes option to renew the land leases.

A portion of the premises at Gore Hill DC relates to shell and core lease arrangements and the remaining portion of the premises relates to colocation lease arrangements.

At 31 December 2016, the Group's interests in investment properties amounting to \$1,225.9 million (2015: \$1,102.7 million) are free from encumbrances for debt facilities.

The accompanying notes form an integral part of these financial statements.

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 DC REIT (the “Trust”) and its subsidiaries (collectively, the “Group”) for the financial year ended 31 December 2016 were authorised for issue by the Manager on 15 February 2017.

1 General Information

Keppel DC REIT is a Singapore-domiciled real estate investment trust constituted by the trust deed dated 17 March 2011 (as amended) (the “Trust Deed”) between Keppel DC REIT Management Pte. Ltd. and AEP Investment Management Pte Ltd, together as Trustee-Managers.

Pursuant to the Deed of Appointment and Retirement dated 24 October 2014, the Trustee-Managers were replaced by Keppel DC REIT Management Pte. Ltd. (the “Manager”). Meanwhile, Perpetual (Asia) Limited (the “Trustee”) (formerly known as “The Trust Company (Asia) Limited”) was appointed as the trustee of the Trust on 24 October 2014.

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 Group 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 8 Marina Boulevard #05-02, Marina Bay Financial Centre, Singapore 018981 and 16 Collyer Quay #26-02, Singapore 049318 respectively.

The Trust was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 12 December 2014 and was included under the Central Provident Fund (“CPF”) Investment Scheme on 12 December 2014.

The principal activity of the Trust is to invest, directly or indirectly, in a diversified portfolio of income-producing real estate assets which are used primarily for data centre purposes, as well as real estate-related assets, with an initial focus on Asia-Pacific and Europe. The principal activities of the subsidiaries are disclosed in Note 5.

The Trust has entered into several service agreements in relation to management of the Trust and its property operations. The fee structures for these services are as follows:

(a) Trustee’s fees

The Trustee’s fees are charged on a scaled basis of up to 0.015% per annum of the value of Deposited Property (as defined in the Trust Deed) subject to a minimum amount of \$15,000 per month.

(b) Manager’s fees

The Manager is entitled under the Trust Deed to the following management fees:

- (i) a Base Fee of 0.5% per annum of the value of Deposited Property; and
- (ii) a Performance Fee of 3.5% per annum of the Group’s Net Property Income (as defined in the Trust Deed) in the relevant financial year.

The Manager is also entitled to receive an acquisition fee at the rate of 1.0% of the acquisition price and a divestment fee of 0.5% of the sale price on all acquisitions or disposals of properties respectively.

Any increase in the rate or any change in the structure of the Manager’s fees must be approved by an Extraordinary Resolution of Unitholders passed at a Unitholders meeting duly convened and held in accordance with the provisions of the Trust Deed.

The management fees are paid in the form of cash and/or Units (as the Manager may elect). The management fees payable in Units are 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 last 10 Business Days (as defined in the Trust Deed) of the relevant period in which the relevant component of the management fees accrues. The Manager’s management fees are payable in arrears.

Notes to the Financial Statements

1 General Information (continued)

(c) Facility management fees

Under the facility management agreement in respect of certain properties, the facility manager provides facility management services, lease management services and project management services. The facility manager is entitled to receive the following fees:

- (i) KDC SGP 1 and KDC SGP 2: facility management fee of 4.0% of EBITDA derived from the underlying end-users (after deducting the fixed rent payable to the Trust and operating expenses incurred for each property);
- (ii) Gore Hill DC: facility management fee of AUD 2.1 million subject to an increase of 4.0% per annum on each anniversary of 10 March 2012, being the commencement date; and
- (iii) KDC DUB 1: facility management fee of EUR 0.9 million for three years commencing from 1 September 2016.

2 Basis of Preparation

2.1 Statement of Compliance

The financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice 7 (Revised 2012) "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants ("ISCA"), the applicable requirements of the Code on Collective Investment Schemes ("CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. RAP 7 requires that accounting policies adopted should generally comply with the principles relating to recognition and measurement of the Singapore Financial Reporting Standards ("FRS").

2.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies set out in Note 3.

2.3 Functional and Presentation Currency

The Manager has determined the functional currency of the primary economic environment in which the Trust operates, i.e. functional currency, to be Singapore dollars (\$). The financial statements are expressed in Singapore dollars and rounded to the nearest thousand (\$'000) unless otherwise stated.

2.4 Use of Estimates and Judgements

The preparation of financial statements in conformity with RAP 7 requires the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 4 – Investment Properties and Note 24 – Fair Value of Assets and Liabilities.

3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the entities in the Group.

3.1 Basis of Consolidation

Business combination

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
 - the recognised amount of any non-controlling interests in the acquiree; plus
 - if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,
- over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in the statement of total return.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the statement of total return.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the statement of total return.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the statement of total return.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for subsidiaries by the Trust

Investment in subsidiaries are stated in the Trust's statement of financial position at cost less accumulated impairment losses, if any.

Notes to the Financial Statements

3 Significant Accounting Policies (continued)

3.2 Foreign Currency

Foreign currency transactions

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity.

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency of the Group at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in the statement of total return, except for the following differences which are recognised in the foreign currency translation reserve in Unitholders' funds, arising on the retranslation of:

- available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in the foreign currency translation reserve in Unitholders' funds are reclassified to the statement of total return);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at the average exchange rates for the reporting period.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at exchange rates at the reporting date.

Foreign currency differences are recognised in the foreign currency translation reserve (translation reserve) in Unitholders' funds. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests ("NCI"). When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the statement of total return as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the statement of total return.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in the foreign currency translation reserve in Unitholders' funds.

3.3 Financial Instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into loans and receivables category.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables and cash and cash equivalents.

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value.

Non-derivative financial liabilities

The Group initially recognises all financial liabilities (including liabilities designated at fair value through profit or loss) on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities under the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and bank borrowings and trade and other payables.

3.4 Hedge Accounting

The Group applies hedge accounting for certain hedging which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as 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.

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, including the risk management objectives and strategy in 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 entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the changes in the hedged item's fair value or cash flows attributable to the hedged risks. Such hedges are expected to be 'highly effective' in offsetting the changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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 the statement of total return.

Amounts recognised in hedging reserve in Unitholders' funds are transferred to the statement of total return when the hedge transaction affects the statement of total return, such as when the hedged financial income or financial expense is recognised.

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 the statement of 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 the statement of total return.

Notes to the Financial Statements

3 Significant Accounting Policies (continued)

3.4 Hedge Accounting (continued)

The Group uses interest rate swaps to hedge its exposure to interest rate risk for bank loans with floating interest rates. Details of interest rate swaps are disclosed in Note 16.

The Group uses forward currency contracts to hedge foreign currency risk arising from the cash flows of its foreign investment properties in Australia, Europe and Malaysia. Details of the forward currency contracts are disclosed in Note 23.

3.5 Unitholders' Funds

Unitholders' funds represent the Unitholders' residual interest in the Group's net assets upon termination. Proceeds from issuance of Units are recognised as Units in issue in Unitholders' funds. Incremental costs directly attributable to the issue of Units are recognised as deduction from Unitholders' funds.

3.6 Investment Properties

Investment property is property held either to earn rental income or capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in the statement of total return. Rental income from investment properties is accounted for in a manner described in Note 3.11.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.7 Intangible Assets

Intangible assets

Intangible assets, which relate to rental top up payments, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation expense is recognised in the statement of total return on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The intangible asset in relation to the rental top up (Note 8) will be amortised over the top up period of 27 months.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.8 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the group, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in the statement of total return and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through the statement of total return.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in the statement of total return. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.9 Employee Benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in the statement of total return in the periods during which services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.10 Leases

When entities within the Group are lessees of a finance lease

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, investment properties acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest over the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

At inception, an arrangement that contains a lease is accounted for based on the terms and conditions even though the arrangement is not in the legal form of a lease.

When entities within the Group are lessors of an operating lease

Assets subject to operating leases are included in investment properties. Payments received under the leases are recognised in the statement of total return on a straight-line basis over the term of the lease.

Notes to the Financial Statements

3 Significant Accounting Policies (continued)

3.11 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.

Rental income

Rental income from investment property is recognised in the statement of total return on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

3.12 Finance Costs

Borrowing costs are recognised in the statement of total return using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

3.13 Finance Income

Interest income is recognised using the effective interest method.

3.14 Income Tax

Current income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of total return except to the extent that it relates to items recognised directly in Unitholders' funds.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events.

New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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 includes 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 at the Trust's level.

In the event that there are subsequent adjustments to the Specified Taxable Income when the actual taxable income of the Trust is finally agreed with the IRAS, such adjustments are taken up as an adjustment to the amount distributed for the next distribution following the agreement with the IRAS.

Subject to the terms and conditions of the Tax Transparency Ruling, the Trustee will not be taxed on Specified Taxable Income distributed to the Unitholders in the year in which the income was derived. Instead, the Trustee and the Manager 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, the Trustee and the Manager will make the distributions to such Unitholder without deducting any income tax; and
- b) where the beneficial owner is Qualifying Foreign Non-Individual Unitholder (as defined below), the Trustee and the Manager will undertake to deduct income tax 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;
- b) a company incorporated and tax resident in Singapore;
- c) a Singapore branch of a company incorporated outside Singapore;
- d) a body of persons (excluding company or partnership) incorporated or registered in Singapore, including a charity registered under the Charities Act (Cap. 37) or established by any written law, a town council, a statutory board, a co-operative society registered under the Co-operative Societies Act (Cap. 62) or a trade union registered under the Trade Unions Act Cap. 333; or
- (e) international organisations that are 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 in Singapore.

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 in accordance with Section 10(1)(a) of the Income Tax Act (Cap. 134) and be collected from the Trustee. Where the gains are capital gains, they will not be assessed to tax and the Trustee and Manager may distribute the capital gains to Unitholders without having to deduct tax at source.

Notes to the Financial Statements

3 Significant Accounting Policies (continued)

3.14 Income Tax (continued)

Tax exemption

Pursuant to the Foreign-Source Income Tax Exemption Ruling issued by the Ministry of Finance and subject to meeting the terms and conditions of the tax ruling, the Trust and/or its Singapore subsidiaries (i.e. KDCR GVP Pte. Ltd., KDCR Netherlands 1 Pte. Ltd., KDCR Netherlands 2 Pte. Ltd., KDCR Ireland Pte. Ltd., and KDCR Australia Pte. Ltd. (collectively, the “Singapore Subsidiaries”)) will be exempted from Singapore tax on foreign-sourced dividends and interest income received from overseas entities in Australia, Malaysia, England, The Netherlands, Republic of Ireland (“Ireland”), the British Virgin Islands and the Bailiwick of Guernsey (“Guernsey”).

Any distributions made by the Trust to the Unitholders out of tax-exempt income and income taxed at Trust’s level would be exempted from Singapore income tax in the hands of all Unitholders.

3.15 Operating Segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. All operating segments’ operating results are reviewed regularly by the Manager to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the senior management of the Manager include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Trust’s head office), head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire and fit-out investment properties.

3.16 Key Management Personnel

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The board of directors and senior management of the Manager are considered as key management personnel of the Group.

3.17 Provisions

A provision is recognised if, as a result of a past event, the Group has a present obligation (legal or constructive) that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.18 Significant Accounting Judgments and Estimates

The preparation of the financial statements in conformity with RAP 7 requires the Manager to make judgments, 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 ongoing basis. Financial impact arising from revisions to accounting estimates are 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 judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is the valuation of investment properties, Notes 4(a) and 24.

3.19 New Standards and Interpretations not Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017, and have not been applied in preparing these financial statements. The Group is currently assessing the potential impact of adopting these new standards and interpretations, on the financial statements of the Group and the Trust. Those new standards, amendments to standards and interpretations are set out below.

These new standards include, among others, FRS 115 *Revenue from Contracts with Customers*, FRS 109 *Financial Instruments* and FRS 116 *Leases* which are mandatory for adoption by the Group on 1 January 2018.

- FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.
- FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.
- FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

As FRS 115, FRS 109 and FRS 116, when effective, will change the existing accounting standards and guidance applied by the Group and the Trust in accounting for revenue and financial instruments, these standards are expected to be relevant to the Group and Trust. The Group is currently assessing the potential impact on its financial statements and to implement the standards. The Group does not plan to adopt these standards early.

Notes to the Financial Statements

4 Investment Properties

	Group		Trust	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At 1 January	1,102,685	1,047,143	454,000	416,733
Acquisitions				
- during the year	110,914	46,637	–	–
- reversal of recoverable from a related corporation ^(a)	12,403	951	12,403	951
- payable to a related corporation ^(a)	5,938	–	5,938	–
	129,255	47,588	18,341	951
Additions	5,457	7,702	–	–
Capital expenditure	4,352	308	2,709	106
Change in fair value	(13,994)	41,879	(20,050)	36,210
Translation differences on consolidation	(1,817)	(41,935)	–	–
At 31 December	1,225,938	1,102,685	455,000	454,000

- (a) Investment properties are stated at fair value based on valuations performed by independent valuers, Savills Valuation And Professional Services (S) Pte. Ltd., DTZ Australia (NSW) trading as Cushman & Wakefield, CIVAS Limited trading as Colliers International, CB Richard Ellis Limited, (2015: Cushman & Wakefield VHS Pte. Ltd., CB Richard Ellis Limited, Colliers International Consultancy & Valuation Pty Ltd, Colliers International New Zealand Limited and IVPS Property Consultant Sdn Bhd (an associate of Cushman & Wakefield)). The external, independent valuers have the appropriate recognised professional qualifications and recent experience in the locations and categories of properties being valued. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In determining fair value, the valuers have used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation yield, terminal yield and discount rate. In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation approaches and estimates are reflective of current market conditions and that the valuation reports are prepared in accordance with recognised appraisal and valuation standards.

The valuers have considered valuation techniques including the discounted cash flow approach and the capitalisation approach in arriving at the open market value as at the reporting date.

The discounted cash flow approach involves estimation and projection of an income stream over a period and discounting the income stream with an internal rate of return to arrive at the market value. The discounted cash flow approach requires the valuer to assume a rental growth rate indicative of the market and the selection of a target internal rate of return consistent with current market requirements. The capitalisation approach capitalises in perpetuity an income stream with appropriate adjustments for rental shortfalls and overages and discounts the stream using an appropriate capitalisation rate to arrive at the market value.

- (b) On 6 October 2016, the Group completed the acquisition of a 100% interest in the shell and core building of Cardiff DC in Cardiff, United Kingdom.
- (c) On 21 October 2016, the Group completed the acquisition of a 100% interest in the shell and core building of Milan DC in Milan, Italy.
- (d) The adjustment in purchase consideration of the Singapore properties arose from the revision to the property tax payable on KDC SGP 1 and KDC SGP 2 based on indemnities provided by the relevant sale and purchase agreements.
- (e) Investment properties comprise data centres that are held mainly for use by clients under operating leases. As at 31 December 2016, most leases contain an initial non-cancellable period of 5 to 20 years (2015: 5 to 20 years). Subsequent renewals are negotiated with the clients.
- (f) The Group entered into leases in isseek DC and KDC DUB 1 as lessees under finance lease arrangements. The total carrying values of the investment properties were \$148.1 million (2015: \$148.5 million) for isseek DC and KDC DUB 1. Under these arrangements, the Group leased for 20 years to 2030 with two five-year renewal options and 14 years to 2026 with a fifteen-year renewal option respectively.

5 Investment in Subsidiaries

	Trust	
	2016 \$'000	2015 \$'000
Investment in subsidiaries, at cost		
At 1 January	390,454	316,155
Incorporation/acquisition of subsidiaries ^(c)	121,739	30,856
Capitalisation of shareholder loan	–	61,643
Capital injection ^(d)	3,531	–
Capital reduction	–	(18,200)
At 31 December	515,724	390,454

Notes to the Financial Statements

5 Investment in Subsidiaries (continued)

Details of subsidiaries are as follows:

Name of entities	Principal activities	Place of incorporation	Effective equity held by the Trust	
			2016 %	2015 %
<u>Subsidiaries held by the Trust</u>				
KDCR 1 Limited ^(b)	Investment holding	Guernsey	100	100
Boxtel Investment Limited ^(b)	Investment holding	British Virgin Islands	100	100
KDCR GVP Pte. Ltd.	Investment holding	Singapore	100	100
Basis Bay Capital Management Sdn. Bhd.	Investment in real estate properties	Malaysia	99	99
KDCR Netherlands 1 Pte. Ltd.	Investment holding	Singapore	100	100
KDCR Netherlands 2 Pte. Ltd.	Provision of financial and asset management services	Singapore	100	100
KDCR Ireland Pte. Ltd.	Investment holding	Singapore	100	100
Keppel DC REIT Fin. Company Pte. Ltd.	Provision of financial and treasury services	Singapore	100	100
KDCR Australia Pte. Ltd. ^(d)	Investment holding	Singapore	100	100
KDCR Netherlands 3 Pte. Ltd. ^(d)	Investment holding	Singapore	100	100
KDCR Netherlands 4 Pte. Ltd. ^(c)	Investment holding	Singapore	100	–
KDCR UK Pte. Ltd. ^(c)	Investment holding	Singapore	100	–
<u>Subsidiary held through Boxtel Investment Limited</u>				
KDCR 2 Limited ^(b)	Investment holding	Guernsey	100	100
<u>Subsidiaries held through KDCR 1 Limited</u>				
KDCR Australia Trust No.1 ^(b)	Investment in real estate properties	Australia	100	100
KDCR Australia 1 Pty Limited ^(b)	Trustee	Australia	100	100

Name of entities	Principal activities	Place of incorporation	Effective equity held by the Trust	
			2016 %	2015 %
<u>Subsidiary held through KDCR Australia Pte. Ltd.</u>				
KDCR Australia Trust ^{(b) (d)}	Investment holding	Australia	100	100
<u>Subsidiary held through KDCR Australia Trust No.1</u>				
iseek Facilities Pty Ltd ^(b)	Data centre services	Australia	100	100
<u>Subsidiaries held through KDCR 2 Limited</u>				
KDCR Australia Trust No.2 ^(b)	Investment in real estate properties	Australia	100	100
KDCR Australia 2 Pty Limited ^(b)	Trustee	Australia	100	100
<u>Subsidiary held through KDCR GVP Pte. Ltd.</u>				
Greenwich View Place Limited ^(b)	Investment in real estate properties	Guernsey	100	100
<u>Subsidiary held through KDCR Netherlands 1 Pte. Ltd.</u>				
KDCR Netherlands B.V. ^(b)	Investment holding	The Netherlands	100	100
<u>Subsidiary held through KDCR Netherlands B.V.</u>				
KDCR Almere B.V. ^(b)	Investment in real estate properties	The Netherlands	100	100
<u>Subsidiary held through KDCR Ireland Pte. Ltd.</u>				
KDCR (Ireland) Ltd ^(a)	Investment in real estate properties and provision of data services and colocation services	Republic of Ireland	100	100
<u>Subsidiary held through KDCR Australia Trust</u>				
KDCR Australia Sub-Trust 1 ^(b)	Investment in real estate properties	Australia	100	100

Notes to the Financial Statements

5 Investment in Subsidiaries (continued)

Name of entities	Principal activities	Place of incorporation	Effective equity held by the Trust	
			2016 %	2015 %
<u>Subsidiary held through KDCR Netherlands 3 Pte. Ltd.</u>				
KDCR Netherlands 3 B.V. ^(b)	Investment in real estate properties	The Netherlands	100	100
<u>Subsidiary held through KDCR UK Pte. Ltd.</u>				
KDCR Cardiff Limited ^{(b) (c)}	Investment in real estate properties	Guernsey	100	—
<u>Subsidiary held through KDCR Netherlands 4 Pte. Ltd.</u>				
KDCR Netherlands 4 B.V. ^{(b) (c)}	Investment holding	The Netherlands	100	—
<u>Subsidiary held through KDCR Netherlands 4 B.V.</u>				
MarLux S.à.r.l. ^{(b) (c)}	Investment holding	Luxemburg	100	—
<u>Subsidiary held through MarLux S.à.r.l.</u>				
B171 SRL ^{(b) (c)}	Investment in real estate properties	Italy	100	—

- (a) KPMG LLP is the auditor of the Singapore-incorporated subsidiaries and the Australia-constituted trusts. Other members of the firms of KPMG International are auditors of significant foreign-incorporated subsidiaries, except for KDCR (Ireland) Ltd, which is audited by Grant Thornton, Ireland.

In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit and Risk Committee and the Board of Directors of the Manager confirmed that they are satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Trust.

- (b) Not required to be audited by law in the country of incorporation.

Incorporation/acquisition of subsidiaries:

- (c) During the year, the Group incorporated KDCR Netherlands 4 Pte. Ltd., KDCR Netherlands 4 B.V., KDCR UK Pte. Ltd. and KDCR Cardiff Limited. The Group acquired MarLux S.à.r.l. and B171 SRL for a total of \$59.9 million in relation to the acquisition of Milan DC. The acquisition was accounted for as an asset acquisition.

Capital injections in 2016:

- (d) In 2016, the Trust injected \$1.5 million into each KDCR Australia Pte. Ltd. and KDCR Australia Trust and \$0.5 million into KDCR Netherlands 3 Pte. Ltd..

6 Loans to Subsidiaries

	Trust	
	2016 \$'000	2015 \$'000
Non-current assets		
Loans to subsidiaries	94,763	92,305
Quasi-equity loans to subsidiaries	65,473	64,135
	160,236	156,440

Loans to subsidiaries are unsecured, interest-bearing and not expected to be repaid within the next 12 months. The interest rates range from 7.10% to 8.00% (2015: 7.10% to 8.00%) per annum.

Quasi-equity loans to subsidiaries are non-trade in nature. These loans are unsecured, interest free and settlement is neither planned nor likely to occur in the foreseeable future.

7 Deposit

In 2015, the Group entered into a forward sale and purchase agreement to acquire maincubes Data Centre, in Offenbach am Main, Germany to be constructed by the vendor. Upon signing of the agreement, the Group paid a deposit of EUR 8.4 million (approximately \$12.7 million), being 10.0% of the purchase consideration of EUR 84.0 million.

Completion of the acquisition is subject to the completion of the construction of the data centre, expected to be in 2018, as well as satisfaction of other conditions. The deposit is fully refundable upon any default by the vendor.

The deposit is interest-bearing at an interest rate of 7.15% (2015: 7.15%) per annum.

8 Intangible Assets

	Group and Trust	
	2016 \$'000	2015 \$'000
At 1 January	–	–
Acquisition	4,508	–
Amortisation	(509)	–
At 31 December	3,999	–

The intangible asset relates to a rental top up provided by the vendor of a newly acquired overseas asset.

Notes to the Financial Statements

9 Trade and Other Receivables

	Group		Trust	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade receivables	5,779	13,190	87	7,438
Deferred lease receivables	23,797	24,587	2,137	1,219
Accrued income	5,564	718	5,195	–
Other receivables	2,039	13,277	1,441	12,610
Dividend receivables from subsidiaries	–	–	–	2,765
Amount due from subsidiaries	–	–	8,213	8,804
Loans and receivables	37,179	51,772	17,073	32,836
Prepayments	1,512	1,288	29	187
	38,691	53,060	17,102	33,023

Trade receivables are repayable within 3 months.

Deferred lease receivables relate to lease income which has been recognised but not yet received from the clients.

Accrued income relates to lease income which has been recognised but not yet billed to the clients.

Amount due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

10 Cash and Cash Equivalents

	Group		Trust	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Bank balances	252,517	31,152	228,301	20,698
Short-term deposits	45,441	6,009	45,441	6,009
Cash and cash equivalents in the statements of financial position	297,958	37,161	273,742	26,707
Less: Rental top up received in advance held in a designated account	(3,999)	–	–	–
Cash and cash equivalents in the consolidated statement of cash flows	293,959	37,161	273,742	26,707

11 Unitholders' Funds

(a) Foreign currency translation reserve

The foreign currency translation reserve attributable to Unitholders comprises:

- foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group; and
- foreign exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

(b) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

Capital management

The Manager reviews the Group's debt and capital management cum financial policy regularly so as to optimise the Group's funding structure. The Group's exposures to various risk elements are also monitored closely through clearly established management policies and procedures.

The Manager seeks to maintain an optimal combination of debt and equity in order to balance the cost of capital and the returns to Unitholders. The Manager also monitors the externally imposed capital requirements closely and ensures the capital structure adopted complies with the requirements.

Under the Property Funds Appendix of the CIS Code, the aggregate leverage should not exceed 45.0% (2015: 35.0%) of the Group's deposited properties. The Group has complied with this requirement for the financial years ended 31 December 2016 and 31 December 2015.

The Manager also monitors the Group's capital using a net debt to total funding ratio, which is defined as the (1) net borrowings divided by (2) total Unitholders' funds and liabilities:

	Group	
	2016 \$'000	2015 \$'000
Gross bank borrowings (Note 14)	439,321	341,848
Less: cash and cash equivalents (Note 10)	(297,958)	(37,161)
(1) Net borrowings	141,363	304,687
(2) Total Unitholders' funds and liabilities	1,582,656	1,210,797
Net debt to total funding ratio at end of the year	0.09	0.25

There were no changes in the Manager's approach to capital management for the Group during the year.

Notes to the Financial Statements

12 Units in Issue

	Group and Trust			
	2016		2015	
	No. of Units	\$'000	No. of Units	\$'000
Units in issue:				
At 1 January	882,976,595	802,920	882,930,000	802,873
Issue of Units:				
Payment of management fees in Units	244,519	264	46,595	47
Preferential offering of Units	241,988,877	279,497	–	–
Issue expenses	–	(4,179)	–	–
At 31 December	1,125,209,991	1,078,502	882,976,595	802,920

In 2016, the Trust issued 244,519 new Units to the Manager as payment of 100% of the base fees in respect of Intellicentre 2 Data Centre, Australia for the period from 1 October 2015 to 30 September 2016.

On 14 November 2016, pursuant to the pro-rated Preferential Offering, the Trust issued 241,988,877 new Units at an issue price of \$1.155 per Unit. The new Units were listed on 15 November 2016.

Each Unit in the Trust represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed which includes the rights to:

- receive income and other distributions attributable to the Units;
- 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 any 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 the transfer to it of any assets (or part thereof) or of any estate or interest in any asset (or part thereof) of the Trust; and
- have the right to receive notice of, attend and one vote per Unit at any meeting of the Unitholders.

The holders of Units are entitled to receive all distributions declared and paid by the Trust. Upon winding up, the holders of Units are entitled to a return of capital based on the net asset value per Unit of the Trust.

The restrictions on Unitholders include 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 redeem his Units while the Units are listed on SGX-ST.

A Unitholder's liability is limited to the amount paid or payable for any Units in the Trust. The provisions of the Trust Deed provide that no Unitholders will be personally liable for indemnifying the Trustee or any creditor of the Trustee in the event that the liabilities of the Trust exceed its assets.

13 Loans from a Subsidiary

Trust

The loans from a subsidiary are unsecured, interest-bearing, and have loan maturities of one to five years (2015: one to five years) with interest ranging from 0.85% to 3.44% (2015: 0.85% to 3.44%) per annum.

14 Loans and Borrowings

	Group	
	2016 \$'000	2015 \$'000
Non-current liabilities		
Bank borrowings	436,198	311,640
Capitalised transaction costs of debt financing	(1,030)	(1,195)
	435,168	310,445
Finance lease liabilities	28,866	27,892
	464,034	338,337
Current liabilities		
Bank borrowings	3,123	30,208
Finance lease liabilities	3,532	3,435
	6,655	33,643
Total loans and borrowings	470,689	371,980

Borrowings for the Group denominated in currencies other than the respective entities' functional currencies amounted to \$309.3 million (2015: \$181.6 million). These balances are denominated in Australian Dollar ("AUD"), Euro ("EUR") and British Pound ("GBP").

As at 31 December 2016 and 31 December 2015, the Trust does not have any external loans and borrowings.

Finance lease liabilities

At the reporting date, the Group has obligations under finance leases that are payable as follows:

	Future minimum lease payments \$'000	Financing costs \$'000	Present value of minimum lease payments \$'000
Group			
2016			
Within one year	3,863	331	3,532
Between one and five years	15,922	5,394	10,528
More than five years	113,122	94,784	18,338
	<u>132,907</u>	<u>100,509</u>	<u>32,398</u>
2015			
Within one year	3,754	319	3,435
Between one and five years	15,457	5,225	10,232
More than five years	115,113	97,453	17,660
	<u>134,324</u>	<u>102,997</u>	<u>31,327</u>

As at 31 December 2016 and 31 December 2015, the Trust does not have any finance lease liabilities.

Notes to the Financial Statements

14 Loans and Borrowings (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding financial liabilities are as follows:

	Interest rate per annum (%)	Year of maturity	2016		2015	
			Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Group						
Bank borrowings	0.85 - 3.44 (2015: 0.85 - 3.44)	2017 - 2021 (2015: 2016 - 2020)	439,321	439,321	341,848	341,848
Finance lease liabilities	13.00 - 15.09 (2015: 13.00 - 15.09)	2040 - 2041 (2015: 2040 - 2041)	132,907	32,398	134,324	31,327
			572,228	471,719	476,172	373,175
Trust						
Loans from a subsidiary	0.85 - 3.44 (2015: 0.85 - 3.44)	2017 - 2021 (2015: 2016 - 2020)	439,321	439,321	341,848	341,848

15 Trade and Other Payables

	Group		Trust	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade payables	1,557	1,915	768	395
Non-trade payables to subsidiaries	–	–	1,779	3,568
Deferred consideration	–	3,042	–	–
Current tax payables	7,184	3,736	330	250
Other payables and accruals	19,249	9,092	11,404	3,685
	27,990	17,785	14,281	7,898

Non-trade payables to subsidiaries are unsecured, interest-free and repayable on demand.

Deferred consideration in 2015 related to the remaining amount due to the vendor for the acquisition of an asset that was due and settled in 2016.

As at 31 December 2016 and 31 December 2015, other payables and accruals mainly relate to interest accruals, unearned revenue, accruals for management fees, audit fee, valuation fee and other expenses.

Notes to the Financial Statements

16 Derivative Financial Instruments

	Maturity	Contract/ Notional amount \$'000	Assets \$'000	Liabilities \$'000
Group				
2016				
Current				
Forward exchange contracts	2017	36,952	<u>1,663</u>	<u>(499)</u>
Non-current				
Forward exchange contracts	2018	17,764	<u>642</u>	<u>(171)</u>
Interest rate swaps	2018-2021	361,539	<u>1,043</u>	<u>(1,977)</u>
			<u>1,685</u>	<u>(2,148)</u>
2015				
Current				
Forward exchange contracts	2016	35,229	<u>1,009</u>	<u>(139)</u>
Non-current				
Forward exchange contracts	2017	34,301	<u>564</u>	<u>(361)</u>
Interest rate swaps	2018-2020	298,319	<u>3,636</u>	<u>(1,360)</u>
			<u>4,200</u>	<u>(1,721)</u>
Trust				
2016				
Current				
Forward exchange contracts	2017	36,952	<u>1,663</u>	<u>(499)</u>
Non-current				
Forward exchange contracts	2018	17,764	<u>642</u>	<u>(171)</u>
2015				
Current				
Forward exchange contracts	2016	35,229	<u>1,009</u>	<u>(139)</u>
Non-current				
Forward exchange contracts	2017	34,301	<u>564</u>	<u>(361)</u>

Interest rate swaps are used to hedge interest rate risk arising from the underlying floating interest rates of respective bank borrowings (Note 14). Under these interest rate swaps, the Group receives the following floating interest equal to S\$ swap offer rate ("SGD SOR"), A\$ bank bill swap bid rate ("AUD BBSW"), Euro interbank offer rate ("EUR EURIBOR") and £ London interbank offer rate ("GBP LIBOR") at specific contracted intervals and pays fixed rates of interest ranging from 1.06% to 3.44% (2015: 1.06% to 3.44%) per annum.

The Group designates these forward currency contracts and interest rate swaps as cash flow hedges. A net unrealised fair value gain of \$701,000 (2015: fair value gain of \$3,349,000) and fair value gain of \$1,635,000 (2015: fair value gain of \$1,073,000) were included in hedging reserve in respect of these contracts for the Group and the Trust respectively.

17 Deferred Taxation

Deferred tax assets and liabilities are attributable to the following:

	Group		Group	
	Assets 2016 \$'000	Liabilities 2016 \$'000	Assets 2015 \$'000	Liabilities 2015 \$'000
Investment properties	–	(14,628)	–	(15,551)
Tax losses carried forward	6,968	–	9,805	–
	6,968	(14,628)	9,805	(15,551)
Offset	(6,823)	6,823	(9,493)	9,493
Deferred tax assets/(liabilities)	145	(7,805)	312	(6,058)

Movement in temporary differences during the year:

	At 1 January \$'000	Recognised in profit or loss \$'000	Exchange difference \$'000	At 31 December \$'000
Group				
2016				
Investment properties	(15,551)	1,104	(181)	(14,628)
Tax losses carried forward	9,805	(3,066)	229	6,968
Net deferred tax (liabilities)/ assets	(5,746)	(1,962)	48	(7,660)
2015				
Investment properties	(10,424)	(5,830)	703	(15,551)
Tax losses carried forward	7,422	2,877	(494)	9,805
Net deferred tax (liabilities)/ assets	(3,002)	(2,953)	209	(5,746)

Net deferred tax assets and liabilities are determined by offsetting deferred tax assets against deferred tax liabilities of the same entities. Deferred tax assets are recognised for unutilised tax benefits carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

As at 31 December 2016 and 31 December 2015, the Group does not have unrecognised deductible temporary differences in respect of tax losses which can be carried forward and used to offset against future taxable income.

Notes to the Financial Statements

18 Gross Revenue

	Group	
	2016 \$'000	2015 \$'000
Rental income	97,155	100,719
Power related revenue	415	692
Other revenue	1,569	1,051
	99,139	102,462

Power related revenue refers to the recovery of power costs from clients. Other revenue mainly refers to rental top up provided by the vendor of a newly acquired overseas asset and non-recurring service fee charged to clients as stipulated in the lease agreement.

Contingent rent recognised as rental income amounted to \$31.5 million (2015: \$32.6 million).

19 Finance Costs

	Group	
	2016 \$'000	2015 \$'000
Interest expense for bank borrowings	8,098	7,210
Amortisation of:		
- finance lease charges	4,313	4,132
- capitalised transaction costs of debt financing	357	368
	12,768	11,710

20 Tax Expenses

	Group	
	2016 \$'000	2015 \$'000
Current tax expense	4,781	2,624
Deferred tax – origination and reversal of temporary differences	1,962	2,953
	6,743	5,577
Reconciliation of effective tax rate		
Total return before tax	57,686	110,040
Tax calculated using Singapore tax rate of 17% (2015: 17%)	9,807	18,707
Effects of tax rates in foreign jurisdictions	4,462	3,685
Income not subject to tax	(8,502)	(19,300)
Non-deductible expenses	3,945	5,211
Utilisation of previously unrecognised tax benefits	(215)	(236)
Effect of unrecognised temporary differences	1,715	2,108
Tax transparency	(4,469)	(4,598)
	6,743	5,577

The Trust has been awarded the Enhanced-Tier Fund Tax incentive Scheme under Section 13X of the Income Tax Act (SITA) with effect 13 April 2011 pursuant to the letter of award issued by the Monetary Authority of Singapore (MAS) dated 3 May 2011. The tax exemption will be for the life of the Trust, provided that all the conditions and terms as set out in the MAS Circulars – FDD Circular 03/2009 and FDD Circular 05/2010 and the relevant income tax legislations are met.

Under the terms of the tax incentives granted, qualifying income derived from approved investment is exempted from income tax in the Republic of Singapore.

21 Non-controlling Interest

As at 31 December 2016 and 31 December 2015, non-controlling interest in relation to Basis Bay Capital Management Sdn. Bhd. is not significant to both the consolidated statement of financial position and consolidated statement of total return of the Group.

Notes to the Financial Statements

22 Earnings per Unit and Distribution per Unit

(a) Basic and diluted earnings per Unit

The calculation of basic and diluted earnings per Unit is based on the total return for the year and weighted average number of Units during the year:

	Group	
	2016 \$'000	2015 \$'000
Total return attributable to Unitholders	50,937	104,424
Total return attributable to Unitholders (excluding net change in fair value of investment properties and their related deferred tax impact)	67,914	64,290
	Number of Units	
	2016 ('000)	2015 ('000)
Weighted average number of Units:		
- outstanding during the year	882,938	882,930
- effects of Units issued	30,599	8
Weighted average number of Units during the year	913,537	882,938
	Group	
	2016 \$'000	2015 \$'000
Basic and diluted earnings per Unit (cents)	5.58	11.83
Basic and diluted earnings per Unit (cents) (excluding net change in fair value of investment properties and their related deferred tax impact)	7.43	7.28

(b) Distribution per Unit

The calculation of distribution per Unit for the financial year is based on:

	Group	
	2016	2015
Total amount available for distribution for the year (\$'000)	61,048	57,440
Distribution per Unit (cents)	6.14	6.51

23 Financial Risk Management

Overview

The Manager has a system of controls for the Group in place to determine an acceptable balance between the cost of risks occurring and the cost of managing risks. The Manager continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations.

Prior to signing any major contracts, credit assessments on prospective clients are carried out. This is usually done by way of evaluating information from corporate searches. The Group's client trade sector mix in its property portfolio is actively managed to avoid excessive exposure to any one potentially volatile trade sector.

Cash and cash equivalents are placed and derivative financial instruments are entered into with banks and financial institution counterparties which are of good credit ratings. The Manager assesses all counterparties for credit risk for the Group before contracting with them.

At the reporting date, the carrying amount of each class of financial assets recognised in the statement of financial position represents the Group's maximum credit exposure.

Trade and other receivables that are neither past due nor impaired are substantially with companies with good collection track record with the Group.

There were no significant trade and other receivables that are past due but not impaired.

Credit risk concentration profile

At the reporting date, approximately 30.4% (2015: 39.9%) of the Group's trade and other receivables were due from related corporations. Concentration of credit risk relating to trade receivables is limited due to Group's varied clients. The underlying clients are engaged in diversified businesses and the credit quality of its trade and other receivables that were not past due or impaired at reporting date is assessed to be of acceptable risks. The Group's most significant client accounts for 34.6% (2015: 31.8%) of the trade receivables carrying amount as at the reporting date.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Manager manages the liquidity structure of the Group's assets, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations are met when due.

The Manager monitors and maintains a level of cash and cash equivalents of the Group deems adequate to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Steps will be taken to plan early for funding and expense requirements so as to manage the cash position at any point in time.

Notes to the Financial Statements

23 Financial Risk Management (continued)

Liquidity risk (continued)

The following are the contractual undiscounted cash flows of financial liabilities, including estimated finance costs and excluding the impact of netting agreements:

	Contractual cash flows (including finance costs)			
	Total \$'000	Within 1 year \$'000	Within 1 to 5 years \$'000	More than 5 years \$'000
Group				
2016				
Non-derivative financial liabilities				
Bank borrowings	(466,581)	(12,236)	(454,345)	–
Finance lease liabilities	(132,907)	(3,863)	(15,922)	(113,122)
Trade and other payables	(27,990)	(27,990)	–	–
	<u>(627,478)</u>	<u>(44,089)</u>	<u>(470,267)</u>	<u>(113,122)</u>
Derivative financial instruments				
Forward foreign exchange contracts				
- Outflow	(49,251)	(31,963)	(17,288)	–
- Inflow	50,894	33,130	17,764	–
	<u>1,643</u>	<u>1,167</u>	<u>476</u>	<u>–</u>
2015				
Non-derivative financial liabilities				
Bank borrowings	(369,976)	(38,383)	(331,593)	–
Finance lease liabilities	(134,324)	(3,754)	(15,457)	(115,113)
Trade and other payables	(17,785)	(17,785)	–	–
	<u>(522,085)</u>	<u>(59,922)</u>	<u>(347,050)</u>	<u>(115,113)</u>
Derivative financial instruments				
Forward foreign exchange contracts				
- Outflow	(62,907)	(31,744)	(31,163)	–
- Inflow	63,983	32,617	31,366	–
	<u>1,076</u>	<u>873</u>	<u>203</u>	<u>–</u>

	Contractual cash flows (including finance costs)			
	Total \$'000	Within 1 year \$'000	Within 1 to 5 years \$'000	More than 5 years \$'000
Trust				
2016				
Non-derivative financial liabilities				
Trade and other payables	(14,281)	(14,281)	–	–
Derivative financial instruments				
Forward foreign exchange contracts				
- Outflow	(49,251)	(31,963)	(17,288)	–
- Inflow	50,894	33,130	17,764	–
	1,643	1,167	476	–
2015				
Non-derivative financial liabilities				
Trade and other payables	(7,898)	(7,898)	–	–
Derivative financial instruments				
Forward foreign exchange contracts				
- Outflow	(62,907)	(31,744)	(31,163)	–
- Inflow	63,983	32,617	31,366	–
	1,076	873	203	–

Notes to the Financial Statements

23 Financial Risk Management (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's total return. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Group's exposure to market risk for changes in interest rate environment relates mainly to its credit facilities.

	Group	
	Notional amount 2016 \$'000	Notional amount 2015 \$'000
Fixed rate instruments		
Interest rate swaps	(361,539)	(298,319)
Finance lease liabilities	(32,398)	(31,327)
Variable rate instruments		
Bank borrowings	(439,321)	(341,848)
Interest rate swaps	361,539	298,319

The Group's exposure to changes in interest rates relates primarily to 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 ongoing 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 interest rate swaps.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial asset and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect the statement of total return.

Cash flow sensitivity analysis for variable rate instruments:

The Group manages interest risks by using interest rate swaps (Note 16). The details of the interest rates relating to interest-bearing financial liabilities are disclosed in Note 14.

On 31 December 2016 and 31 December 2015, the Group is not exposed to significant floating interest rate risk since its floating rate bank borrowings are substantially hedged with interest rate swaps. The Group has applied hedge accounting in order to manage volatility in profit or loss.

Derivatives assets and liabilities designated as cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the fair value of the related hedging instruments.

	Carrying amount \$'000	Expected cash flow \$'000	Within 1 year \$'000	Within 1 to 2 years \$'000	Within 2 to 5 years \$'000
Group					
2016					
Interest rate swaps					
Assets	1,043	947	(1,013)	196	1,764
Liabilities	(1,977)	(1,673)	(1,007)	(725)	59
	<u>(934)</u>	<u>(726)</u>	<u>(2,020)</u>	<u>(529)</u>	<u>1,823</u>
Forward exchange contracts					
Assets	2,305	2,305	1,663	642	–
Liabilities	(670)	(670)	(499)	(171)	–
	<u>1,635</u>	<u>1,635</u>	<u>1,164</u>	<u>471</u>	<u>–</u>
2015					
Interest rate swaps					
Assets	3,636	3,972	(2)	790	3,184
Liabilities	(1,360)	(1,169)	(683)	(475)	(11)
	<u>2,276</u>	<u>2,803</u>	<u>(685)</u>	<u>315</u>	<u>3,173</u>
Forward exchange contracts					
Assets	1,573	1,573	1,009	564	–
Liabilities	(500)	(500)	(139)	(361)	–
	<u>1,073</u>	<u>1,073</u>	<u>870</u>	<u>203</u>	<u>–</u>

Foreign currency risk

The Group operates across multiple jurisdictions and is exposed to various currencies, particularly AUD, EUR and GBP.

The Group manages its foreign currency risk, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

In relation to its overseas investments in its foreign subsidiaries whose net assets are exposed to currency translation risk and which are held for long term investment purposes, the differences arising from such translation are captured under the foreign currency translation reserve. These translation differences are reviewed and monitored on a regular basis.

The Group has material receivables and payables denominated in foreign currencies in AUD, EUR and GBP. The Group's foreign currency exposures arise mainly from the exchange rate movement of these foreign currencies against the functional currencies of the respective Group entities. To hedge against the volatility of future cash flows caused by changes in foreign currency rates, the Group utilises forward foreign currency contracts to hedge the Group's exposure to specific currency risks relating to receivables and payables.

As at the end of the financial year, the Group and Trust has outstanding forward foreign exchange contracts with notional amounts totalling \$54.7 million (2015: \$69.5 million). The net positive fair value of forward foreign exchange contracts is \$1.6 million (2015: \$1.1 million) comprising assets of \$2.3 million (2015: \$1.6 million) and liabilities of \$0.7 million (2015: \$0.5 million). These amounts are recognised as derivative financial instruments in Note 16.

Notes to the Financial Statements

23 Financial Risk Management (continued)

Foreign currency risk (continued)

Exposure to currency risk:

The summary of quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

	2016			2015		
	AUD \$'000	EUR \$'000	GBP \$'000	AUD \$'000	EUR \$'000	GBP \$'000
Group						
Trade receivables and other receivables	19,795	5,464	3,073	20,344	19,010	3,414
Unsecured bank borrowings	(91,979)	(131,850)	(85,492)	(86,551)	(69,732)	(25,356)
Trade payables and other payables	(8,632)	(3,946)	(2,583)	(8,378)	(3,990)	(764)
Net statement of financial position exposure	(80,816)	(130,332)	(85,002)	(74,585)	(54,712)	(22,706)
Trust						
Trade receivables and other receivables	7,141	231	–	8,033	–	–
Trade payables and other payables	(215)	(3,704)	(1,692)	(216)	(332)	(1,963)
Loans from a subsidiary	(91,979)	(131,850)	(85,492)	(86,551)	(69,732)	(25,356)
Loans to subsidiaries	131,012	29,224	–	127,614	28,826	–
Net statement of financial position exposure	45,959	(106,099)	(87,184)	48,880	(41,238)	(27,319)

Sensitivity analysis:

A 10% strengthening of the relevant functional currencies against the following foreign currencies at the reporting date would increase/(decrease) the Group's total return as at the reporting date by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group	
	2016 \$'000	2015 \$'000
Australian Dollar	8,082	7,459
Euro	13,033	5,471
British Pound	8,500	2,271
	29,615	15,201

A 10% weakening of the functional currencies against the above currencies would have an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Notes to the Financial Statements

24 Fair Value of Assets and Liabilities

Determination of fair values

The following valuation methods and assumptions are used to estimate the fair values of the following significant classes of assets and liabilities:

Investment properties

External, independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, value the Group's investment properties portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental revenue of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, when appropriate, the type of clients actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of expected future principal and interest cash flows, where the discount rate is computed from the market rate of interest at the reporting date.

Other financial assets and liabilities

The carrying amounts of financial assets and financial liabilities with a maturity of less than one period (including trade and other receivables, cash and cash equivalents and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

Fair value hierarchy

The table below analyses fair value measurements for financial assets, financial liabilities and non-financial assets carried at fair value. The different levels are defined as follows:

- Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2:* inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3:* unobservable inputs for the asset or liability.

Assets and liabilities carried at fair value

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group				
2016				
Derivative financial assets	–	3,348	–	3,348
Investment properties	–	–	1,225,938	1,225,938
	–	3,348	1,225,938	1,229,286
Derivative financial liabilities	–	(2,647)	–	(2,647)
2015				
Derivative financial assets	–	5,209	–	5,209
Investment properties	–	–	1,102,685	1,102,685
	–	5,209	1,102,685	1,107,894
Derivative financial liabilities	–	(1,860)	–	(1,860)
Trust				
2016				
Derivative financial assets	–	2,305	–	2,305
Investment properties	–	–	455,000	455,000
	–	2,305	455,000	457,305
Derivative financial liabilities	–	(670)	–	(670)
2015				
Derivative financial assets	–	1,573	–	1,573
Investment properties	–	–	454,000	454,000
	–	1,573	454,000	455,573
Derivative financial liabilities	–	(500)	–	(500)

There were no transfers between levels of the fair value hierarchy during the years ended 31 December 2016 and 31 December 2015.

Movement in Level 3 fair values of investment properties for the financial year is as shown in Note 4.

Notes to the Financial Statements

24 Fair Value of Assets and Liabilities (continued)

Assets and liabilities carried at fair value (continued)

Level 3 fair values

The following table shows the valuation technique and the significant unobservable inputs used in the determination of fair value.

Valuation method	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investment properties – data centres		
Capitalisation approach	Capitalisation rate: 6.00% to 11.00% (2015: 6.85% to 11.88%)	The estimated fair value varies inversely against the capitalisation rate.
Discounted cash flow approach	Discount rate: 6.00% to 12.25% (2015: 7.00% to 12.75%) Terminal yield rate: 6.50% to 12.25% (2015: 5.75% to 20.00%)	The estimated fair value varies inversely against the discount rate and terminal yield rate.

Fair value

The basis for fair value measurement of financial assets and liabilities is set out above. The carrying amounts of other financial assets and liabilities approximate their fair values.

25 Related Party Transactions

For the purpose of these financial statements, parties are considered to be related to the Group if the Manager has the ability, whether directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions or vice-versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. Other than disclosed elsewhere in the financial statements, the following are significant transactions with related parties on terms agreed between the parties.

Related party transactions

	Group	
	2016 \$'000	2015 \$'000
Fixed rental income from related corporations	8,253	8,012
Variable rental income from related corporations	31,484	32,586
Management base fees to the Manager	(5,563)	(5,011)
Management performance fees to the Manager	(3,070)	(2,824)
Acquisition fees to the Manager	(1,154)	(437)
Facility management fees to related corporations	(3,764)	(3,749)
Adjustment in purchase consideration of Singapore properties to related corporations	(5,938)	–

26 Commitments

Operating lease commitments (as lessor)

The Group has future minimum payments receivable under non-cancellable operating leases as follows:

	Group	
	2016 \$'000	2015 \$'000
Within one year	58,262	61,067
Between one and five years	213,403	183,678
More than five years	307,598	313,649
	579,263	558,394

Operating lease income represents data centre rental receivable from clients.

Finance lease commitments (as lessee)

The Group has future minimum payments payable under non-cancellable finance leases as follows:

	Group	
	2016 \$'000	2015 \$'000
Within one year	3,863	3,754
Between one and five years	15,922	15,457
More than five years	113,122	115,113
	132,907	134,324

As at 31 December 2016 and 31 December 2015, the Trust does not have finance lease liabilities nor finance lease commitments.

Notes to the Financial Statements

27 Financial Ratios

	Group	
	2016 %	2015 %
Expenses to average net assets ¹		
- including asset management fees	1.34	1.49
- excluding asset management fees	0.30	0.41
	Group	
	2016	2015
Operating expenses ² (\$'000)	25,303	26,962
Operating expenses ² to net asset value as at 31 December (%)	2.36	3.31

- 1 The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio was based on total expenses of the Group divided by the average net asset value for the year. The expenses used in the computation exclude property expenses, finance costs, foreign exchange gains/losses, gains/losses from derivatives and tax expenses. The average net asset value is based on the month-end (or daily) balances.
- 2 The operating expenses include property expenses, the Manager's management fees, trustee's fees and all other fees and charges paid to interested persons as well as current taxation incurred.

28 Operating Segments

The Group has 11 (2015: 9) investment properties, as described in the consolidated portfolio statement in three reportable segments. The various investment properties are managed separately given the different geographic locations. For each of the investment properties, the Manager reviews internal management reports at least on a quarterly basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment total return before tax, as included in the internal management reports that are reviewed by the Manager. Segment return is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Information about reportable segments

By type of asset

	2016			
	Colocation \$'000	Fully fitted \$'000	Shell and core \$'000	Total \$'000
Gross revenue	68,003	23,057	8,079	99,139
Net property income	60,825	22,790	7,321	90,936
Finance income	282	977	34	1,293
Finance costs	(7,633)	(3,707)	(1,428)	(12,768)
Reportable segment total return before tax	33,334	27,809	2,322	63,465
Unallocated amounts:				
- Finance costs				-
- Other corporate expenses				(5,779)
Total return before tax				57,686
Segment assets	702,552	315,135	353,140	1,370,827
Other unallocated amounts				212,172
Consolidated assets				1,582,999
Segment liabilities	175,144	139,460	191,880	506,484
Other unallocated amounts				2,647
Consolidated liabilities				509,131
Other segment items:				
Net change in fair value of investment properties	(25,239)	8,288	2,957	(13,994)
Capital expenditure/additions	3,532	182	6,095	9,809

Notes to the Financial Statements

28 Operating Segments (continued)

Information about reportable segments

By type of asset (continued)

	2015			
	Colocation \$'000	Fully fitted \$'000	Shell and core \$'000	Total \$'000
Gross revenue	72,991	25,804	3,667	102,462
Net property income	58,409	25,536	2,927	86,872
Finance income	75	209	37	321
Finance costs	(6,426)	(3,442)	(1,810)	(11,678)
Reportable segment total return before tax	79,925	32,094	4,221	116,240
Unallocated amounts:				
- Finance costs				(32)
- Other corporate expenses				(6,168)
Total return before tax				110,040
Segment assets	671,454	320,360	214,148	1,205,962
Other unallocated amounts				5,209
Consolidated assets				1,211,171
Segment liabilities	165,052	139,535	91,236	395,823
Other unallocated amounts				1,860
Consolidated liabilities				397,683
Other segment items:				
Net change in fair value of investment properties	28,490	10,196	3,193	41,879
Capital expenditure	2,099	–	5,911	8,010

By geographical area

	Group	
	2016 \$'000	2015 \$'000
<u>Revenue</u>		
- Singapore	41,176	41,757
- Australia	28,272	26,562
- Ireland	10,915	14,455
- Other countries	18,776	19,688
Total revenue	99,139	102,462
<u>Investment properties</u>		
- Singapore	455,000	454,000
- Australia	312,821	289,439
- The Netherlands	137,660	129,715
- United Kingdom	127,929	82,243
- Other countries	192,528	147,288
Total value of investment properties	1,225,938	1,102,685

Major customer

Revenue of \$55.3 million (2015: \$60.4 million) is derived from 2 separate external clients from Singapore and Australia (2015: Singapore and Australia).

29 Subsequent Events

On 20 January 2017, the Trust completed the acquisition of 90.0% interest in Keppel DC Singapore 3 by way of acquiring 90.0% interest in Keppel DC Singapore 3 Pte. Ltd. for a consideration of approximately \$144.7 million.

Additional Information

Interested Person Transactions

The transactions entered into with interested persons during the financial year which falls under the Listing Manual of the SGX-ST and 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)	
	2016 \$'000	2015 \$'000
Keppel Corporation Limited and its subsidiaries		
- Manager's management fees	4,495	-
- Manager's acquisition fees	1,154	-
- Media-related costs for the listing of Keppel DC REIT	-	295
Keppel Telecommunications & Transportation Ltd and its subsidiaries		
- Variable rental income	31,484	32,586
- Manager's management fees	4,138	8,272
- Facility management fees	3,764	3,749
- Support services fees	541	609
- Adjustments in purchase consideration of Singapore Properties ¹	5,938	-
Perpetual (Asia) Limited		
- Trustee's fees	180	180

¹ The adjustments arose from revisions to the property tax payable on Keppel DC Singapore 1 and Keppel DC Singapore 2, based on indemnities provided by the relevant sale and purchase agreements.

Certain other interested person transactions outlined in the Prospectus dated 5 December 2014 are deemed to have been approved by the Unitholders and are therefore not subject to Rules 905 and 906 of the Listing Manual to the extent that specific information on these agreements have been disclosed in the Prospectus and there is no subsequent change to the rates and/or basis of the fees charged thereunder which will adversely affect Keppel DC REIT.

Keppel DC REIT has not obtained a general mandate from Unitholders for interested person transactions for the financial year under review.

Please also see significant related party transactions on Note 25 in the financial statements.

Subscription of Keppel DC REIT Units

During the financial year ended 31 December 2016, Keppel DC REIT issued:

1. 241,988,877 new Units pursuant to the pro-rata Preferential Offering at an issue price of \$1.155 per Unit; and
2. 244,519 new Units to the Manager as payment of 100% of the base fees in respect of Intellicentre 2 Data Centre in Australia for the period from 1 October 2015 to 30 September 2016 at issue prices ranging from \$1.0089 - \$1.2037 per Unit.

Corporate Governance

The board and management of Keppel DC REIT Management Pte. Ltd., the manager of Keppel DC 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 DC REIT

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

The primary role of the Manager is to set the strategic direction of Keppel DC REIT and make recommendations to Perpetual (Asia) Limited as trustee of Keppel DC REIT (the “Trustee”) on the acquisitions to, and divestments from, Keppel DC REIT’s portfolio of assets, as well as enhancement of the assets of Keppel DC REIT, in accordance with its stated investment strategy. The research, analysis and evaluation required to achieve this is carried out by the Manager. The Manager is also responsible for the risk management of Keppel DC REIT.

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

Other functions and responsibilities of the Manager include:

1. developing a business plan for Keppel DC REIT with a view to maximising the distributable income of Keppel DC REIT;
2. acquiring, selling, leasing, licensing, entering into colocation arrangements for the use of colocation space or otherwise dealing with any real estate in furtherance of the investment policy and prevailing investment strategy that the Manager has for Keppel DC REIT;
3. supervising and overseeing the management of Keppel DC REIT’s properties (including lease and facility 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 DC REIT, including accounts preparation, capital management, co-ordination of the budget process, forecast modeling, 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”), the Code on Collective Investment Schemes (including the Property Funds Appendix) issued by the Monetary Authority of Singapore (“MAS”), the tax rulings issued by the Inland Revenue Authority of Singapore on taxation of Keppel DC REIT and its Unitholders;
7. managing regular communications with Unitholders; and
8. supervising the facility managers who perform day-to-day facility management functions (including leasing, accounting, budgeting, marketing, promotion, facility management, maintenance and administration) for Keppel DC REIT’s properties, pursuant to the facility management agreements signed for the respective properties.

Corporate Governance

Keppel DC REIT, constituted as a trust, is externally managed by the Manager. The Manager appoints an experienced and well-qualified management team to run the day-to-day operations of Keppel DC REIT. All Directors and employees of the Manager are remunerated by the Manager, and not by Keppel DC REIT.

The Manager is appointed in accordance with the terms of the Deed of Trust dated 17 March 2011 as amended and supplemented by a First Supplemental Deed dated 24 October 2014, a Supplemental Deed of Appointment and Retirement dated 24 October 2014, the First Amending and Restating Deed dated 24 October 2014, the Second Supplemental Deed dated 18 November 2014, the Third Supplemental Deed dated 21 January 2015 and the Fourth Supplemental Deed dated 11 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 and its related parties) 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 DC 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 DC REIT's and the Manager's activities which are significant in nature, including decisions on strategic direction, guidelines and the approval of periodic plans and major investments and divestments;
- oversee the business and affairs of Keppel DC 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 of the Manager (the “Directors”) are expected to exercise independent judgment in the best interests of Keppel DC 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 and the Executive Committee have been constituted with clear written terms of reference, and play important roles 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 DC REIT, proposed acquisitions and disposals, the annual budget, the performance of the business and the financial performance of Keppel DC REIT and the Manager. The Board also reviews and approves the release of the quarterly, half- and full-year results. In addition, the Board reviews the risks to the assets of Keppel DC REIT, and acts upon any comments from the auditors of Keppel DC 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 Attended	Audit and Risk Committee Meetings Attended	Executive Committee Meetings Attended
Mr Chan Hon Chew	8	5	1
Mr Lee Chiang Huat	8	5	-
Mr Leong Weng Chee	8	-	1
Mr Lim Chin Hu	8	3/3	1
Mr Dileep Nair	8	5	-
Mr Richard Teo Cheng Hiang	8	3/3	-
Dr Tan Tin Wee	8	-	1
Mr Thomas Pang	8	-	-
Ms Christina Tan (appointed w.e.f 15 September 2016)	2/2	-	1
No. of Meetings Held in FY 2016	8	5	1

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 or Board committee Chairman of his or her views and comments on the matters to be discussed so that they can be conveyed to other members at the meeting.

The Manager has adopted a set of internal guidelines which sets out the level of authorisation and financial authority limits for investment/business acquisition and divestment, operating/capital expenditure, capital management, leasing, disposal and write-off of assets and corporate matters. Transactions and matters which require the approval of the Board are clearly set out in the internal guidelines. 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 upon their appointment explaining their duties and obligations as Director. All newly-appointed Directors undergo a comprehensive orientation programme which includes management presentations on the businesses and strategic plans and objectives of Keppel DC REIT, and 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 DC 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 industry-related matters, so as to update and refresh them on matters that affect or may enhance their performance as Board or Board committee members. A training programme is in place for Directors in areas such as accounting, finance and the roles and responsibilities of a director of a listed company.

Corporate Governance

BOARD COMPOSITION AND GUIDANCE

Principle 2: Strong and independent element on the Board

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

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

The Board is of the view that, taking into account the nature and scope of Keppel DC 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 Board committee membership are set out in the Appendix hereto.

The Board is satisfied that the Board and the Board committees comprise Directors who as a group provide an appropriate balance and diversity of skills, experience 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 the 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 broad range of commercial experience including expertise in funds management, audit and accounting and the property industry; and
- (iii) At least one-third of the Board comprises independent Directors.

Further, in accordance with Guideline 2.2 of the 2012 Code, at least half of the Board should comprise independent Directors where the Chairman is not an independent director.

The composition is reviewed regularly 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 is kept well informed of Keppel DC REIT's and the Manager's businesses and affairs and are knowledgeable about the industry in which the businesses operate. For the current financial year, the Directors have constructively challenged and helped to develop proposals on strategy and reviewed the performance of management. The Directors are supported by accurate, complete and timely information, 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 with integrity, competency and in an effective manner to address strategy, business operations and 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 secretary, 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. He also encourages constructive relations between the Board and management.

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

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

The Chairman and CEO are separate persons, the independent Directors currently comprise a majority of the Board, and the Audit and Risk Committee is chaired by and comprise a majority of independent Directors. In light of the foregoing, the Board is of the view that it is not necessary, for the time being, to appoint a lead independent Director.

BOARD MEMBERSHIP

Principle 4: Formal and transparent process for the appointment of new Directors to the Board

The Manager does not have a nominating committee. In view that there is no immediate need to refresh the Board as the current Board was only constituted less than three years ago, and taking into account the activities and scale of business of Keppel DC REIT and the fact that independent Directors constitute more than half of the Board, the Board considers that the objectives of a nominating committee may be achieved by the full Board (of which independent Directors comprise more than half of the Board) undertaking the responsibilities of a nominating committee. Therefore, the Board undertakes the functions that such a committee would otherwise perform.

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

The Board 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, as follows:

- (a) The Board 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 Board assesses if there are 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; and
- (d) Meetings with the shortlisted candidates to assess suitability and to ensure that the candidate(s) are aware of the expectations and the level of commitment required.

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 based on the following objective criteria:

- (1) Integrity;
- (2) Independent mindedness;
- (3) Diversity – possess core competencies that meet the current needs of Keppel DC REIT and the Manager and complement the skills and competencies of the existing Directors on the Board;
- (4) Able 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.

Corporate Governance

Endorsement by Unitholders of appointment of Directors

Keppel Capital Holdings Pte Ltd ("Keppel Capital") and Keppel Telecommunications & Transportation Ltd ("Keppel T&T") have 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, each of Keppel Capital and Keppel T&T undertakes to the Trustee:

- (i) in relation to the Directors who are named in the final prospectus of Keppel DC REIT, to procure the Manager to seek Unitholders' re-endorsement for the appointment of each such Director no later than the third AGM after the date of listing of Keppel DC REIT on the SGX;
- (ii) 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;
- (iii) (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 immediately following his appointment; and
- (iv) 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 appointment was sought, to resign or otherwise be removed from the Board either (i) within 21 days from the date of the relevant general meeting or (ii) 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, Keppel Capital or Keppel T&T from appointing any Director from time to time in accordance with applicable laws and regulations (including any applicable rules of SGX) and the constitution of the Manager.

The Undertaking shall remain in force for so long as:

- (a) Keppel Capital and Keppel T&T continue to hold shares in the Manager; and
- (b) Keppel DC REIT Management Pte. Ltd. remains as the manager of Keppel DC REIT.

Notwithstanding that the Undertaking requires the Manager to seek Unitholders' re-endorsement for the appointment of each Director named in the final prospectus of Keppel DC REIT no later than the third AGM of Keppel DC REIT after the date of listing of Keppel DC REIT on the SGX, the Manager is seeking the re-endorsement of the appointments of Mr Lee Chiang Huat and Mr Lim Chin Hu at the AGM to be held in 2017 so that eventually at any one AGM, only one-third of the Directors will seek re-endorsement. In addition, as Ms Christina Tan was appointed as Director on 15 September 2016, the Manager is also seeking the endorsement for her appointment at the AGM to be held in 2017.

The Board decides on the seeking of endorsement and re-endorsement from Unitholders of the appointments of the Directors, 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 Board is also charged with determining the "independence" status of the Directors annually. Please refer to page 142 on the basis of the Board's determination as to whether a Director should or should not be deemed independent. In this regard, the Board has determined that:

- (i) each of Mr Leong Weng Chee, Mr Lim Chin Hu, Mr Dileep Nair, Mr Richard Teo Cheng Hiang and Dr Tan Tin Wee is independent from management and business relationships with the Manager and Keppel DC REIT, and independent from every substantial shareholder of the Manager and substantial unitholder of Keppel DC REIT;
- (ii) Mr Lee Chiang Huat shall nonetheless be considered independent notwithstanding that he is a director of Keppel REIT Management Limited (the manager of Keppel REIT) which is a related corporation of the substantial shareholder of the Manager and the substantial unitholder of Keppel DC REIT, namely Keppel Corporation Limited ("Keppel Corporation"). Taking into consideration (1) that Mr Lee serves as an independent non-executive director of Keppel REIT Management Limited (the manager of Keppel 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 judgment and ability to act in the interests of all the unitholders of Keppel DC REIT as a whole will not be impeded; and
- (iii) Mr Chan Hon Chew, Mr Thomas Pang and Ms Christina Tan are not considered independent from Keppel Corporation. Mr Chan is the Chief Financial Officer of Keppel Corporation. Mr Pang is the Chief Executive Officer and Executive Director of Keppel T&T, a related corporation of Keppel Corporation. Ms Christina 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 Board 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 Board took 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 making this determination, and is satisfied that all the Directors have been able to and have adequately carried out their duties as Director notwithstanding their other listed company board representations and other principal commitments.

The Board 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 are set out in the following pages of this Annual Report:

Pages 12 to 15: Academic and professional qualifications, Board committee 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, whether considered by the Board to be independent; and

Page 177: Unitholdings in Keppel DC 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 Terry Wee, partner at Ernst & Young LLP, was appointed for this role. Mr Wee does not have any other connection with Keppel DC 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 to discharge his 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.

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 the 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. Management 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, and business and operational information. Such reports keep the Board informed, on a balanced and understandable basis, of Keppel DC REIT's business, performance, business and financial environment, risk and prospects. The financial results are also compared against the budgets, together with explanations given for significant variances for the reporting period. Management also surfaces key risk issues for discussion and confers with the Audit and Risk Committee and the Board regularly.

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

Corporate Governance

The Directors have separate and independent access to the company secretary of the Manager. The company secretary assists 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 its committees, and between senior management and the Directors) are followed and that the Manager's constitution and relevant rules and regulations are complied with. The company secretary attends all Board meetings and prepares minutes of the Board proceedings. The appointment and removal of the company secretary is 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 policy, level and mix of remuneration, and procedure for setting remuneration

The Manager does not have a remuneration committee. Taking into account the activities and scale of business of Keppel DC REIT and the fact that independent Directors constitute more than half of the Board, the Board considers that the objectives of a remuneration committee may be achieved by the full Board (of which independent Directors comprise more than half of the Board) undertaking the responsibilities of a remuneration committee. Therefore, the Board undertakes the functions that such a committee would otherwise perform.

The Board 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 Board ensures 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. The Board reviews and approves a framework of remuneration (which covers all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind) and the specific remuneration packages for each Director and the CEO. The Board also reviews the remuneration of the key management personnel of the Manager and administers the Manager's Unit-based incentive plans. In addition, the Board reviews the Manager's obligations arising in the event of termination of 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 Board has access to expert advice from external consultants where required. In FY 2016, the Board sought views on market practice and trends from external remuneration consultants, such as Aon Hewitt. The Board undertook a review of the independence and objectivity of the external remuneration consultants through discussions with 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 DC 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.

The framework for determining the Directors' fees is shown in the table below:

Main Board	Chairman	\$65,000 per annum
	Director	\$40,000 per annum
Audit and Risk Committee	Chairman	\$20,000 per annum
	Member	\$12,000 per annum
Executive Committee	Chairman	\$20,000 per annum
	Member	\$12,000 per annum

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 have volunteered for a reduction in their monthly salary, as well as to demonstrate the Board and management's determination to hunker down against a challenging backdrop. The Directors' fees earned, post 5% reduction, are set out at page 149.

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 Board 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 DC 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 DC REIT that are already owned by the Manager. Therefore, no new Units are or will be issued by Keppel DC 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 Board exercises broad discretion and independent judgment in ensuring that the amount and mix of compensation are aligned with the interests of Unitholders and promote the long-term success of Keppel DC REIT. The mix of fixed and variable reward is considered appropriate for the Manager and for each individual role. The Board 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.

Corporate Governance

The compensation structure is directly linked to corporate 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:

- (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 of 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 components of remuneration to be awarded or to vest; and
- (5) Forfeiture of the at-risk components 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 Board had taken into account the extent to which the performance conditions, as set out above, have been met. The Board 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 that 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 industry where poaching of senior management is commonplace, the Manager is disclosing the remuneration of the CEO and key executives (who are not Directors or the CEO) in bands of S\$250,000, and is not disclosing the aggregate total remuneration paid to the top five key executives. 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 the 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 146 to 150.

Long term incentive plans – KDCRM Unit Plans

The RUP and the PUP (the "KDCRM Unit Plans") are long-term incentive schemes implemented by the Manager in 2015. No employee share option schemes or share schemes have been implemented by Keppel DC REIT.

The KDCRM 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 Unitholders' value. The KDCRM 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 Board 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 DC REIT or the Manager. Outstanding incentives under the KDCRM Unit Plans are also subject to the Board's discretion before further payment or vesting can occur.

Level and mix of remuneration of Directors and Key Executives for the year ended 31 December 2016

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 ¹ (\$)	Benefits-in-kind
Mr Chan Hon Chew ²	-	-	S\$78,757	-
Mr Lee Chiang Huat	-	-	S\$57,000	-
Mr Thomas Pang Thieng Hwi	-	-	S\$38,000	-
Mr Lim Chin Hu ³	-	-	S\$49,400	-
Mr Dileep Nair	-	-	S\$49,400	-
Mr Leong Weng Chee ⁴	-	-	S\$41,364	-
Mr Richard Teo Cheng Hiang ⁵	-	-	S\$41,364	-
Dr Tan Tin Wee ⁶	-	-	S\$41,364	-
Ms Christina Tan ⁷	-	-	S\$14,577	-

1. The Directors' fees earned in FY 2016 had taken into account the 5% reduction taken by the Board on a voluntary basis.
2. Mr Chan Hon Chew was appointed as Chairman of the Executive Committee with effect from 15 September 2016. Fees are pro-rated accordingly.
3. Mr Lim Chin Hu ceased to be a member of the Audit and Risk Committee with effect from 15 September 2016. Concurrently, Mr Lim was appointed as member of Executive Committee. Fees are pro-rated accordingly.
4. Mr Leong Weng Chee was appointed as member of the Executive Committee with effect from 15 September 2016. Fees are pro-rated accordingly.
5. Mr Richard Teo Cheng Hiang was appointed as member of the Audit and Risk Committee with effect from 15 September 2016. Fees are pro-rated accordingly.
6. Dr Tan Tin Wee was appointed as member of the Executive Committee with effect from 15 September 2016. Fees are pro-rated accordingly.
7. Ms Christina Tan was appointed as a non-executive and non-independent Director with effect from 15 September 2016. Concurrently, Ms Tan was appointed as member of the Executive Committee. Fees are pro-rated accordingly.

Corporate Governance

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

Remuneration Band and Names of CEO and other Key Executives ¹	Base/ Fixed salary	Variable or performance-related income/bonuses ²		Benefits-in-kind	Contingent Award of Units/ Shares		
		Paid	Deferred		PUP	RUP/RSP	PSP-TIP
Above \$750,000 to \$1,000,000							
Mr Chua Hsien Yang	38%	27%	7%	n.m. ³	12% ⁴	12% ⁴	4% ^{5,6}
Above \$250,000 to \$500,000							
Mr Andy Gwee Wei Yong	49%	31%	11%	n.m. ³	-	9% ^{7,8}	-
Ms Anthea Lee Meng Hoon	50%	35%	-	n.m. ³	-	15% ⁴	-
Below \$250,000							
Mr Maritz Bin Mansor ⁹	86%	-	-	n.m. ³	-	14% ⁴	-

1. The Manager has less than five key executives other than the CEO.
2. The Board 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 were met.
3. "n.m." means not material.
4. Units awarded under the KDCRM PUP and KDCRM 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 KDCRM PUP and KDCRM RUP were \$0.70 and \$0.99 respectively. For the KDCRM PUP, the figures are 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.
5. 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 are 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 figures are based on the value of the KCL shares 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.
6. After taking into consideration that (1) Mr Chua Hsien Yang remains remunerated through the remuneration policy of the Manager where the performance-related bonuses and long term incentive awards under the KDCRM PUP and KDCRM RUP are based on the results achieved by Keppel DC REIT and Mr Chua's performance is assessed by the Board of the Manager; (2) the potential advantages to Keppel DC 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 Mr Chua, the Board 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.
7. Shares awarded under the KCL Restricted Share Plan ("RSP") is subject to pre-determined performance targets set over a one-year performance period. 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 KCL RSP was \$4.85.
8. Mr Andy Gwee Wei Yong is on secondment from KCL to the Manager as part of Keppel Group's career development framework and his total remuneration includes share awards under the KCL RSP. After taking into consideration that Mr Gwee's performance, which is directly linked to the performance of Keppel DC REIT, is assessed by the CEO and subject to review by the Board of the Manager, the Board is satisfied that any potential conflict of interest that may occur in relation to Mr Gwee having been granted an award under the KCL RSP is mitigated.
9. Mr Maritz Bin Mansor resigned as the Head of Corporate Services and his last day of service was on 25 November 2016. His base/fixed salary includes annual leave encashment. Additionally, his eligibility for FY2016 performance-related bonus was forfeited in accordance with the Company's Annual Performance Incentive policy on staff resignations. Unit awards granted during the year have lapsed in accordance with the KDCRM RUP on staff resignations.

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 \$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 DC 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 DC REIT. Financial reports and other price sensitive information are disseminated to Unitholders through announcements via SGXNET, media releases, as well as Keppel DC REIT's corporate website.

Management provides all members of the Board with management accounts which present a balanced and understandable assessment of Keppel DC REIT's performance, position and prospects on a periodic basis. Such reports include financial results, market and business developments, and business and operational information. The financial results are compared against the respective budgets, together with explanations for 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, a majority 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 Chan Hon Chew, Mr Dileep Nair and Mr Richard Teo Cheng Hiang.

Mr Lee Chiang Huat and Mr Chan Hon Chew have accounting or related financial management expertise or experience.

The ARC's role includes assisting the Board to ensure 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. The Manager's internal audit functions are performed by Keppel Corporation Limited's Group Internal Audit department ("Group Internal Audit"). Group Internal Audit, together with the external auditors, report their findings and recommendations independently to the ARC.

A total of five ARC meetings were held in 2016. In addition, the ARC met with the external auditor and the internal auditor at least once during the year, without the presence of the management.

During the year, the ARC performed independent reviews of the financial statements of Keppel DC REIT before the announcement of Keppel DC REIT's quarterly and full-year results. In the process, the ARC reviewed the key areas of management judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a significant impact on the financials.

The ARC also reviewed and approved both the internal auditor's and external auditor's plans to ensure that the plans covered sufficiently in terms of audit scope in reviewing the significant internal controls of Keppel DC REIT and the Manager. Such significant controls comprise financial, operational, compliance and information technology controls. All audit findings and recommendations reported by the internal and external auditors were forwarded to the ARC. Significant issues were discussed at these meetings.

In addition, the ARC undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees awarded to them, and has confirmed that the non-audit services performed by the external auditors would not affect their independence.

For FY 2016, an aggregate amount of \$200,650, comprising non-audit service fees of \$6,000 and audit service fees of \$194,650, was paid/payable to Keppel DC REIT's external auditor.

Keppel DC REIT has complied with Rule 712 and Rule 715 read with Rule 716 of the SGX Listing Manual in relation to its appointment of audit firms.

Corporate Governance

Messrs KPMG LLP (“KPMG”) has been the statutory auditor for Keppel DC REIT since its constitution as a trust, pursuant to a trust deed dated 17 March 2011, prior to its commencement as a listed entity on the Singapore Exchange Securities Trading Limited in December 2014. KPMG has provided Keppel DC REIT with sound professional audit services since its appointment. Nevertheless, in line with the Manager’s commitment to uphold and practice good corporate governance, the Manager is of the view that a change in external auditors at this point would be timely. It is therefore proposed that at the forthcoming AGM, Messrs PricewaterhouseCoopers LLP (“PwC”) be appointed as the external auditor of Keppel DC REIT in place of KPMG and that the Manager be authorised to fix their remuneration. Accordingly, KPMG will not be seeking re-appointment at the forthcoming AGM.

The ARC also reviewed the adequacy of the internal audit function and was satisfied that the team was adequately resourced to perform its functions, and had appropriate standing within Keppel DC REIT and the Manager.

The ARC reviewed the “Whistle-Blower Protection Policy” (the “Policy”) which provides for 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 is guided by 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 any control weaknesses that perpetrated the fraud or misconduct so as to prevent a recurrence.

In addition, the ARC reviews the Policy annually to ensure that it remains current. The details of the Policy are set out on pages 160 and 161 herein.

The ARC members are kept updated whenever there are changes to the accounting standards or issues that may have an impact on the financial statements of Keppel DC 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 DC 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 DC REIT’s assets. The ARC reports to the Board on critical risk issues, material matters, findings and recommendations. The responsibilities of the ARC are disclosed in the Appendix hereto.

Risk Assessment and Management of Business Risk

Identifying and managing risks is central to the business of Keppel DC REIT and to protecting Unitholders’ interests and value. Keppel DC REIT operates within overall guidelines and specific parameters set by the Board. Responsibility for managing risks 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 eight times in 2016. Management surfaces key risk issues for discussion and confers with the ARC and the Board regularly.

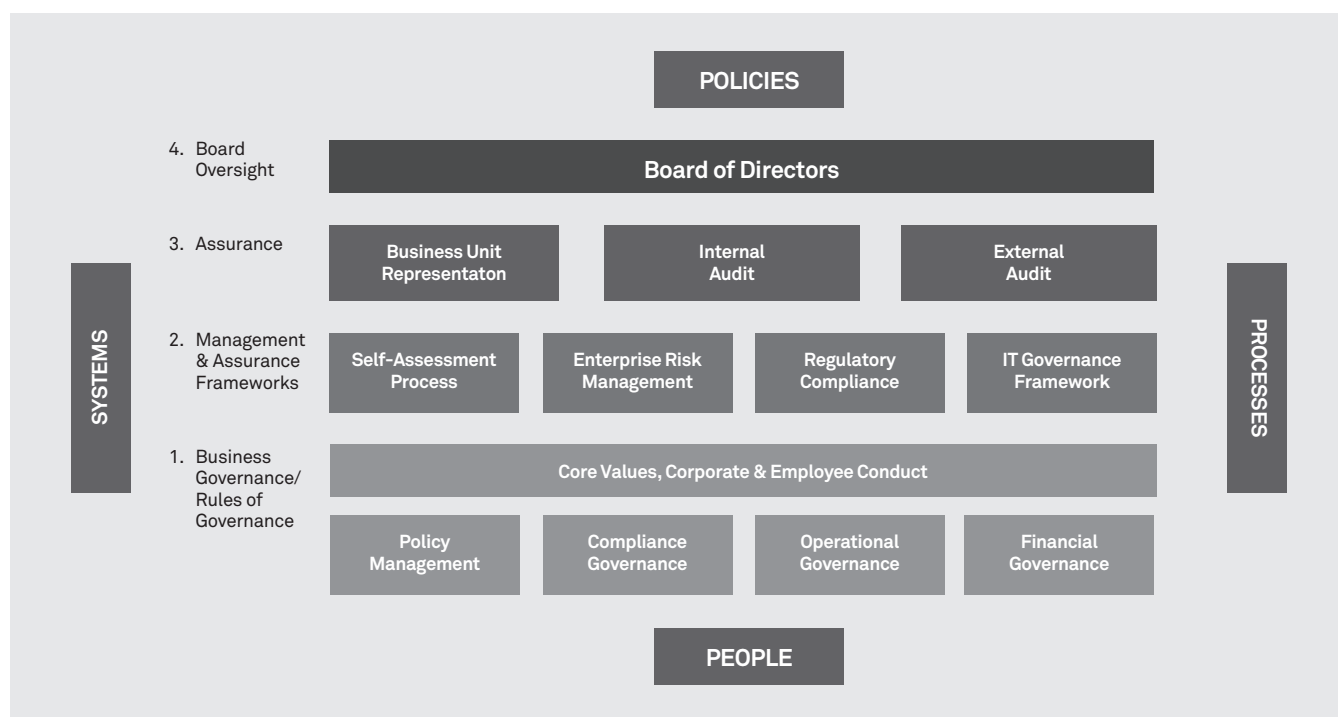
Keppel DC REIT’s Enterprise Risk Management framework (“ERM Framework”) provides the Manager and Keppel DC REIT with a holistic and systematic approach to risk management. In assessing business risk, the Board takes into consideration the economic environment and the risks relevant to the data centre industry. The Manager has implemented a systematic risk assessment process to identify business risks and mitigating actions. The Manager’s approach to risk management and internal controls and the management of key business risks is set out in the “Risk Management” section on page 58 to 59 of this Annual Report. The Manager is guided by a set of Risk Tolerance Guiding Principles, as disclosed on page 58.

The Manager has in place a risk management assessment framework which was established to facilitate the Board’s assessment on the adequacy and effectiveness of the Manager’s and Keppel DC 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 DC REIT and assessments are made on the adequacy and effectiveness of the Manager’s and Keppel DC REIT’s risk management system in managing each of these key risk areas. The risk tolerance guiding principles and risk management 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 the 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 internal auditors conduct an annual review of the effectiveness of Keppel DC REIT's and the Manager's material internal controls, including financial, operational, compliance and information technology controls, and risk management systems. 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 the management on the recommendations made by the internal auditors in this respect.



The Manager and Keppel DC REIT also have in place the Keppel DC REIT's System of Management Controls Framework (the "Framework") outlining the Manager's and Keppel DC 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 DC 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 DC REIT's business scope and environment. Such policies and procedures govern financial, operational, regulatory compliance and information technology matters and are reviewed and updated periodically. Compliance governance is governed by the regulatory compliance management committee and working teams. Employees are guided by the Manager's core values and expected to comply strictly with the Employee Code of Conduct.

Under the second Line of Defence, the Manager and Keppel DC REIT are required to conduct self-assessment exercise on an annual basis. This exercise requires the Manager and Keppel DC 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 DC 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 the Head of Finance are required to provide the Manager and Keppel DC REIT with written assurances as to the adequacy and effectiveness of their system of internal controls and risk management. Such assurances are also sought from the internal and external auditors based on their independent assessments.

Corporate Governance

The Board, supported by the ARC, oversees the Manager's and Keppel DC REIT's system of internal controls and risk management. The Board has received assurance from the CEO, Mr Chua Hsien Yang, and the Head of Finance, Mr Andy Gwee, that, amongst others:

- (1) the financial records of the Manager and Keppel DC 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 DC REIT;
- (2) the internal controls of the Manager and Keppel DC REIT are adequate and effective to address the financial, operational, compliance and information technology risks which the Manager and Keppel DC REIT consider relevant and material to its current business scope and environment and that they are not aware of any material weaknesses in the system of internal controls; and
- (3) they are satisfied with the adequacy and effectiveness of the Manager's and Keppel DC REIT's risk management system.

Based on the Manager's and Keppel DC REIT's framework of management control, the internal control and risk management policies and procedures established and maintained by the Manager and Keppel DC REIT, and the regular audits, monitoring and reviews performed by the internal and external auditors, 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 DC REIT's operations, as at 31 December 2016, the Manager's and Keppel DC REIT's internal controls and risk management system, are adequate and effective to address the financial, operational, compliance and information technology risks which the Manager and Keppel DC 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 DC REIT provides reasonable, but not absolute, assurance that the Manager and Keppel DC 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 judgment in decision-making, human errors, losses, fraud or other irregularities.

INTERNAL AUDIT

Principle 13: Adequately resourced and independent internal audit function

The internal audit function of the Manager is performed by Keppel Corporation Limited's ("KCL") Group Internal Audit. The role of the internal auditor is to provide independent assurance to the ARC to ensure that Keppel DC 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 DC 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 Incorporated, USA ("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 assessment review has commenced in December 2016. 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, developments in the profession and relevant subject matter.

During the year, Group Internal Audit adopted a risk-based auditing approach to audit planning and execution, that focuses on significant 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 responds promptly to their queries and concerns.

The Manager employs various platforms to enhance its outreach to Unitholders, with an emphasis on timely, accurate, fair and transparent disclosure of information.

In addition to Unitholders' meetings, management had 152 meetings and conference calls with the international investment community during FY 2016, including site visits to the data centre facilities in Singapore. Management also participated widely in conferences and overseas roadshows to engage with the global investors and understand their views. More details on the Manager's investor relations activities are found on pages 18 to 20 of this Annual Report.

The Manager has in place an Investor Relations Policy which sets out the principles and practices that the Manager applies in order to provide 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 DC REIT's website at www.keppeldcreit.com.

Material information is disclosed in a comprehensive, accurate and timely manner via SGXNET and/or media releases. The Manager ensures that unpublished price sensitive information are not disclosed selectively, and if on the rare occasion when such information are inadvertently disclosed, this would be immediately released to the public via SGXNET and/or media releases.

Unitholders are also kept abreast of latest announcements and updates on Keppel DC REIT via the corporate website and email alert system. Unitholders and members of the public can post their queries and feedback to a dedicated investor relations contact via email or the phone.

The Manager ensures that Unitholders have the opportunity to participate effectively and vote at Unitholders' meetings. In this regard, the Unitholders' meetings are generally held in central locations which are easily accessible by public transportation. Unitholders are informed of Unitholders' meetings through notices published in the newspapers and via SGXNET, and reports or circulars sent to all Unitholders. 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/her behalf at the meeting through proxy forms sent in advance.

At Unitholders' meetings, each distinct issue is proposed as a separate resolution. To ensure transparency, all resolutions proposed at the Unitholders' meeting will be voted on by way of an electronic poll and the results of the poll will be displayed "live" to Unitholders/proxies immediately after each poll conducted. The total number of votes cast for and against each resolution and the respective percentages will also be announced in a timely manner after the meeting via SGXNET.

Where possible, all the Directors will attend Unitholders' meetings. In particular, the Chairmen of the Board and the Board committees are required to be present to address questions at Unitholders' meetings. External auditors are also present at such meetings to assist the Directors to address Unitholders' queries, if necessary.

The Manager is not implementing absentee voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

The company secretary of the Manager prepares minutes of Unitholders' meetings, which incorporates 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 DC REIT, which sets out the implications of insider trading and guidance on such dealings. The policy has been distributed to the Manager's directors and officers. It has also adopted the best practices on securities dealings issued by the SGX. In compliance with Rule 1207(19) of the 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 DC 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 DC REIT's securities on short-term considerations.

Corporate Governance

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 type of properties as Keppel DC REIT.
- (2) All resolutions in writing of the directors of the Manager in relation to matters concerning Keppel DC REIT must be approved by at least a majority of the directors of the Manager, including at least one Independent Director.
- (3) At least one-third of the Board shall comprise independent directors.
- (4) In respect of matters in which Keppel Corporation and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by Keppel Corporation and/or its subsidiaries to the Board to represent their interests will abstain from deliberation and voting on such matters. For such matters, the quorum must comprise a majority of the independent directors and must exclude nominee directors of Keppel Corporation and/or its subsidiaries.

It is also provided in the Trust Deed that if the Manager is required to decide whether or not 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 DC REIT with a Related Party (meaning any “interested person” as defined in the Listing Manual and/or, as the case may be, an “interested party” as defined in the Property Funds Appendix) of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of Keppel DC 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 DC REIT with a Related Party of the Manager and the Trustee may take such action as it deems necessary to protect the rights of Unitholders and/or which is in the interests of Unitholders. Any decision by the Manager not to take action against a Related Party of the Manager shall not constitute a waiver of the Trustee’s right to take such action as it deems fit against such Related 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 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 staff 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 rules are also spelled out to protect the business, resources and reputation of Keppel DC REIT and the Manager. Employees must not offer or authorise the giving, directly or through third parties, of any bribe, kickback, illicit payment, or any benefit-in-kind or any other advantage to any person or entity, as an inducement or reward for an improper performance or non-performance of a function or activity. Similarly, employees must not solicit or accept illicit payment, directly or indirectly, from any person or entity that is intended to induce or reward an improper performance or non-performance of a function or activity.

New employees are briefed on the policy when they join the Manager. Subsequently, all employees are required to acknowledge the policy annually to ensure awareness.

RELATED PARTY TRANSACTIONS

The Manager’s Internal Control System

The Manager has established an internal control system to ensure that all Related Party transactions:

- will be undertaken on normal commercial terms; and
- will not be prejudicial to the interests of Keppel DC REIT and the Unitholders.

As a general rule, the Manager must demonstrate to the ARC that such transactions satisfy the foregoing criteria. This may entail:

- obtaining (where practicable) quotations from parties unrelated to the Manager; or
- obtaining two or more valuations from independent professional valuers (in compliance with the Property Funds Appendix).

The Manager maintains a register to record all Related Party transactions which are entered into by Keppel DC REIT and the bases, including any quotations from unrelated parties and independent valuations, on which they are entered into. The Manager also incorporates into its internal audit plan a review of all Related Party transactions entered into by Keppel DC REIT. The ARC reviews the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party transactions have been complied with. The Trustee also has the right to review such audit reports to ascertain that the Property Funds Appendix has been complied with. The following procedures are undertaken:

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding S\$100,000 in value but below 3.0% of the value of Keppel DC REIT's net tangible assets will be subject to review by the ARC at regular intervals;
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of Keppel DC REIT's net tangible assets will be subject to the review and prior approval of the ARC. Such approval shall only be given if the transactions are on normal commercial terms and not prejudicial to the interests of Keppel DC REIT and its Unitholders 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 Related Party during the same financial year) equal to or exceeding 5.0% of the value of Keppel DC REIT's net tangible assets will be reviewed and approved prior to such transactions being entered into, 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. Furthermore, under the Listing Manual and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

Where matters concerning Keppel DC REIT relate to transactions entered into or to be entered into by the Trustee for and on behalf of Keppel DC REIT with a Related Party of the Manager or Keppel DC 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 DC REIT and the Unitholders; and
- are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the transaction in question.

The Trustee has the discretion under the Trust Deed to decide whether or not to enter into a transaction involving a Related Party of the Manager or Keppel DC REIT. If the Trustee is to sign any contract with a Related Party of the Manager or Keppel DC 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 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 REITs.

Keppel DC REIT will, in compliance with Rule 905 of the Listing Manual, announce any interested person transaction in accordance with the Listing Manual 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 DC REIT's latest audited net tangible assets.

The aggregate value of all Related Party transactions which are subject to Rules 905 and 906 of the Listing Manual in a particular financial year will be disclosed in Keppel DC REIT's annual report for that financial year.

Role of the Audit and Risk Committee for Related Party Transactions

The Manager's internal control procedures are intended to ensure that Related Party transactions are conducted at arm's length and on normal commercial terms and are not prejudicial to Unitholders.

On a quarterly basis, the management reports to the ARC the Related Party transactions entered into by Keppel DC REIT. The Related Party transactions were also reviewed by the internal auditors and all findings were reported during the ARC meetings.

The ARC reviews all Related Party transactions to ensure compliance with the internal control procedures and with the relevant provisions of the 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. In addition, the Trustee will review such internal audit reports to ascertain that the requirements of the Property Funds Appendix have been complied with.

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.

Corporate Governance

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 judgments 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 DC REIT's risk management and 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 auditors and internal auditors, and consider the effectiveness of actions or policies taken by management on the recommendations and observations.
- (4) Review the independence and objectivity of external auditors annually.
- (5) Review the nature and extent of non-audit services performed by external auditors.
- (6) Meet with external and internal auditors, 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 auditors, and approve the remuneration and terms of engagement of the external auditors.
- (8) Review the adequacy and effectiveness of the Manager's and Keppel DC REIT's internal audit function, at least annually.
- (9) Ensure at least annually that the internal audit function is adequately resourced and has appropriate standing with the Manager and Keppel DC REIT.
- (10) Approve the accounting/auditing firm or corporation to which the internal audit function is outsourced.
- (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 Related Party 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).
- (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 DC REIT may take in achieving its strategic objectives; and
 - (ii) Overall levels of risk tolerance and risk policies.
- (16) Review and discuss, as and when appropriate, with management the Manager and Keppel DC REIT's risk governance structure and their risk policies, risk mitigation and monitoring processes and procedures.
- (17) Receive and review at least quarterly reports from management on major risk exposures and the steps taken to monitor, control and mitigate such risks.
- (18) Review the Manager's capability to identify and manage new risk types.
- (19) Review and monitor management's responsiveness to the recommendations of the ARC.

- (20) Provide timely input to the Board on critical risk issues.
- (21) Report to the Board on material matters, findings and recommendations.
- (22) Review the ARC's terms of reference annually and recommend any proposed changes to the Board.
- (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. Executive Committee

- (1) Review and recommend to the Board on the strategic direction and longer-term plans, investment and portfolio management policies and periodic business plans and financial objectives of Keppel DC REIT.
- (2) Consider, evaluate, review and, if deemed fit, approve:
 - (i) proposed investments, acquisitions and disposal of assets by Keppel DC REIT or any of its subsidiaries within the approved financial limits delegated by the Board;
 - (ii) proposed significant contracts, including significant colocation and leasing arrangements, facility management agreements and joint ventures, within the approved financial limits delegated by the Board;
 - (iii) proposed funding to be obtained by Keppel DC REIT or any of its subsidiaries whether by way of financing facilities or equity fund raising within the approved financial limits delegated by the Board; and
 - (iv) unbudgeted capital expenditure within the approved financial limits delegated by the Board.
- (3) Review and make recommendations to the Board on any matter within its terms of reference as listed above but which exceeds the approved financial limits delegated to the Executive Committee.
- (4) Oversee, monitor, review and report to the Board on the performance of management in relation to the satisfaction of key performance indicators set by the Board.
- (5) Report to the Board on material matters and recommendations.
- (6) Review the Executive Committee's terms of reference annually and recommend any proposed changes to the Board.
- (7) Perform such other functions as the Board may determine from time to time.
- (8) Sub-delegate any of its powers within its terms of reference as listed above, from time to time, as the Executive Committee 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 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 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 Chairman. Thereafter, the Independent Co-ordinator will present the report for discussion at a board meeting. Following the meeting and if necessary, the 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.

Corporate Governance

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 categorized 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 provides valuable inputs, his ability to analyse, communicate and contribute to the productivity of meetings, and his 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 role of Director seriously and works to further improve his own performance, whether he listens and discusses objectively and exercises independent judgment, and meeting preparation are taken into consideration); (4) availability (under which the Director's attendance at board and board committee meetings, whether he is available when needed, and his 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 ability to lead, whether he established proper procedures to ensure the effective functioning of the Board, whether he 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 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 guides discussions effectively so that there is timely resolution of issues, whether he ensured that meetings are conducted in a manner that facilitates open communication and meaningful participation, and whether he 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 DC 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 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, is:

- a. Dishonest, including but not limited to theft or misuse of the resources owned by or under the management of the Manager;
- b. Fraudulent;
- c. Corrupt;
- d. Illegal;
- e. Other serious improper conduct;
- f. An unsafe work practice; or
- g. Any other 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 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 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 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 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 prefers not to disclose the matter to the supervisor and/or Receiving Officer (as the case may be), he may make the report directly to the Receiving Officer or 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 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 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:

- a. Dismissal;
- b. Demotion;
- c. Suspension;
- d. Termination of employment/ contract;
- e. Any form of harassment or threatened harassment;
- f. Discrimination; or
- g. 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/she has cooperated as a Whistle-Blower or a witness in determining the suitable disciplinary measure to be taken against him/her.

Corporate Governance

NATURE OF CURRENT DIRECTORS' APPOINTMENTS AND MEMBERSHIPS ON BOARD COMMITTEES			
Director	Board Membership	Audit and Risk Membership	Executive Committee Membership
Mr Chan Hon Chew	Chairman and Non-Executive Non-Independent Director	Member	Chairman
Mr Lee Chiang Huat	Non-Executive Independent Director	Chairman	-
Mr Leong Weng Chee	Non-Executive Independent Director	-	Member
Mr Lim Chin Hu	Non-Executive Independent Director	-	Member
Mr Dileep Nair	Non-Executive Independent Director	Member	-
Mr Richard Teo Cheng Hiang	Non-Executive Independent Director	Member	-
Dr Tan Tin Wee	Non-Executive Independent Director	-	Member
Mr Thomas Pang Thieng Hwi	Non-Executive Non-Independent Director	-	-
Ms Christina Tan	Non-Executive Non-Independent Director	-	Member

Code of Corporate Governance 2012

Guidelines for Disclosure

Guideline	Questions	How has the Company complied?
General	(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. (b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	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 \$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 information under the Annual Remuneration Report in pages 146 to 150 of this Annual Report enables investors to understand the link between remuneration paid to the CEO and the key executives, and performance.
Board Responsibility		
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 level of authorisation and 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. Transactions and matters which require the approval of the Board are clearly set out in the internal guidelines.

Corporate Governance

Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees? (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. (c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	The Board 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 Board 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. The Board is satisfied that the Board and the Board committees comprise directors who as a group provide an appropriate balance and diversity of skills, experience 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. There is a process of refreshing the Board progressively. See Guideline 4.6 below on process for nomination of new directors and Board succession planning.

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.	<u>For new directors</u> (a) The Board 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 Board 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) The Board 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. <u>For incumbent directors</u> 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 is set out on page 144 of this Annual Report. The Board decides on the seeking of endorsement and re-endorsement from Unitholders of the appointments of the Directors, 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.
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why. (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	Yes, all new Directors undergo a comprehensive orientation programme. 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 industry-related matters, so as to update and refresh them on matters that affect or may enhance their performance as Board or Board committee members. A training programme is in place for Directors in areas such as accounting, finance and the roles and responsibilities of a director of a listed company.

Corporate Governance

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? (b) If a maximum number has not been determined, what are the reasons? (c) What are the specific considerations in deciding on the capacity of directors?	Directors should not have more than 6 listed company board representations and/or other principal commitments. This serves as a guide and the Board takes into account other factors in deciding on the capacity of director. Not applicable. The Board 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 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? (b) Has the Board met its performance objectives?	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 Terry Wee, partner at Ernst & Young LLP, 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 Independent Co-ordinator presented the report 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 159 and 160 of this Annual Report. 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. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	Mr Lee Chiang Huat is deemed independent by the Board notwithstanding that he is a director of Keppel REIT Management Limited (the manager of Keppel REIT) which is a related corporation of the substantial shareholder of the Manager and the substantial unitholder of Keppel DC REIT, namely Keppel Corporation. Taking into consideration that (i) Mr Lee serves as an independent non-executive director of Keppel REIT Management Limited (the manager of Keppel REIT), (ii) 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 (iii) 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 judgment and ability to act in the interests of all the unitholders of Keppel DC REIT as a whole will not be impeded.
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.	Not applicable. None of the Independent Directors have served on the Board for more than nine years from the date of his first appointment.

Corporate Governance

Disclosure on Remuneration		
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?	Yes. Although the remuneration of the Directors and employees of the Manager is paid by the Manager and not by Keppel DC REIT, the Manager has disclosed the level and mix of the remuneration of its Directors, CEO and key executives on pages 149 and 150 of the Corporate Governance Report. 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 \$250,000.
Guideline 9.3	(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? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	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 150 of the Annual Report. 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 the 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 147 to 150.
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	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	The compensation structure is directly linked to Keppel DC 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: (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 of 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 components of remuneration to be awarded or to vest; and (5) Forfeiture of the at-risk components of remuneration when those KPIs or conditions are not met at a satisfactory level. In order to align the interests of the CEO and key management personnel with that 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. Please refer to pages 146 to 150 of this Annual Report for details.
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Corporate Governance

Risk Management and Internal Controls		
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?	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. Managers 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, and business and operational information. Such reports keep the Board informed, on a balanced and understandable basis, of Keppel DC 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. Management also surfaces key risk issues for discussion and confers with the ARC and the Board regularly.
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes. The Manager'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. (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?	The Board, supported by the ARC, oversees the Manager's and Keppel DC REIT's system of internal controls and risk management. The Board's view on the adequacy and effectiveness of the Manager's and Keppel DC 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 DC REIT, and the regular audits, monitoring and reviews performed by the internal and external auditors. The ARC has concurred with this view. Yes. The Board has received assurance from the CEO and the Head of Finance on points (i) and (ii). The Board has received assurance from the internal auditor on the adequacy and effectiveness of the Manager's and Keppel DC REIT's internal control systems.
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.	For FY 2016, an aggregate amount of \$200,650, comprising non-audit service fees of \$6,000 and audit service fees of \$194,650, was paid/payable to Keppel DC REIT's external auditor. The ARC undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees awarded to them, and has confirmed that the non-audit services performed by the external auditors would not affect their independence.

Corporate Governance

Communication with Shareholders		
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?	Yes. Meetings with both existing and prospective investors take place throughout the year. Please refer to pages 18 to 20 of this Annual Report for details. Yes Engagement with Unitholders and other key stakeholders take several forms including meetings, conference calls, email communications, publications and content on Keppel DC REIT's website. In addition to Unitholders' meetings, senior management also participate widely in roadshows and conferences organised by major brokerage firms to understand the views of the investment community.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Not applicable.

CODE OF CORPORATE GOVERNANCE 2012

Specific Principles and Guidelines for Disclosure

Relevant Guideline or Principle	Page Reference in Corporate Governance Report
Guideline 1.3 Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	Page 140
Guideline 1.4 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 141
Guideline 1.5 The type of material transactions that require board approval under guidelines	Page 141
Guideline 1.6 The induction, orientation and training provided to new and existing directors	Page 141
Guideline 2.3 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 142, 144 and 145
Guideline 2.4 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
Guideline 3.1 Relationship between the Chairman and the CEO where they are immediate family members	Not applicable
Guideline 4.1 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	See explanation on Page 143
Guideline 4.4 The maximum number of listed company board representations which directors may hold should be disclosed	Page 145
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	Pages 143 and 144
Guideline 4.7 Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	Pages 12 to 15
Guideline 5.1 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 145 , 159 and 160

Corporate Governance

Guideline 7.1 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	See explanation on Page 146
Guideline 7.3 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 146
Principle 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	Pages 146 to 150
Guideline 9.1 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 146 to 150
Guideline 9.2 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 146 to 150
Guideline 9.3 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 146 to 150
Guideline 9.4 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 150
Guideline 9.5 Details and important terms of employee share schemes	Page 148
Guideline 9.6 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 146 to 150

Guideline 11.3 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 152 to 154
Guideline 12.1 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	Page 151
Guideline 12.6 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 151
Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the company's Annual Report	Pages 152, 160 and 161
Guideline 12.8 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 151 and 152
Guideline 15.4 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	Page 155
Guideline 15.5 Where dividends are not paid, companies should disclose their reasons.	Not applicable

Statistics of Unitholdings

As at 28 February 2017

Issued and Fully Paid Units

1,127,024,072 Units (Voting rights : 1 vote per Unit)

There is only one class of Units in Keppel DC REIT.

Market capitalisation of S\$1,329,888,405 based on market closing price of S\$1.180 on 28 February 2017.

Distribution Of Unitholdings

Size Of Unitholdings	No. Of Unitholders	%	No. Of Units	%
1 - 99	11	0.12	381	0.00
100 - 1,000	1,083	11.99	974,010	0.09
1,001 - 10,000	5,249	58.12	26,294,361	2.33
10,001 - 1,000,000	2,659	29.45	102,556,244	9.10
1,000,001 And Above	29	0.32	997,199,076	88.48
Total	9,031	100.00	1,127,024,072	100.00

Twenty Largest Units Holders

No.	Name	No. Of Units	%
1	Keppel DC Investment Holdings Pte Ltd	338,580,976	30.04
2	DBS Nominees (Private) Limited	159,229,262	14.13
3	Citibank Nominees Singapore Pte Ltd	127,631,375	11.32
4	HSBC (Singapore) Nominees Pte Ltd	95,720,049	8.49
5	Raffles Nominees (Pte) Limited	67,684,288	6.01
6	DC REIT Holdings Pte. Ltd.	55,118,336	4.89
7	DBSN Services Pte. Ltd.	35,882,193	3.18
8	BNP Paribas Securities Services Singapore Branch	29,411,008	2.61
9	DB Nominees (Singapore) Pte Ltd	24,380,586	2.16
10	United Overseas Bank Nominees (Private) Limited	16,580,225	1.47
11	UOB Kay Hian Private Limited	7,064,770	0.63
12	OCBC Securities Private Limited	5,152,543	0.46
13	NTUC Fairprice Co-Operative Ltd	3,822,000	0.34
14	DBS Vickers Securities (Singapore) Pte Ltd	3,746,134	0.33
15	Morgan Stanley Asia (Singapore) Securities Pte Ltd	3,074,889	0.27
16	Phillip Securities Pte Ltd	2,603,927	0.23
17	OCBC Nominees Singapore Private Limited	2,570,868	0.23
18	CIMB Securities (Singapore) Pte. Ltd.	2,299,728	0.20
19	Keppel DC REIT Management Pte Ltd	2,051,095	0.18
20	HL Bank Nominees (Singapore) Pte Ltd	1,946,650	0.17
	Total	984,550,902	87.34

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 of Keppel DC REIT Management Pte. Ltd. in the Units in Keppel DC REIT are as follows :

Name of Director	No. of Units
Chan Hon Chew	Nil
Lee Chiang Huat	95,550 (Direct)
Leong Weng Chee	Nil
Lim Chin Hu	95,600 (Direct)
Dileep Nair	25,500 (Direct)
Teo Cheng Hiang Richard	95,000 (Direct)
Dr Tan Tin Wee	95,600 (Direct)
Thomas Pang Thieng Hwi	63,700 (Direct)
Christina Tan Hua Mui	63,700 (Direct)

¹ As at 21 January 2017, there are no convertible securities in Keppel DC REIT.

Substantial Unitholders

Based on the Register of Substantial Unitholders' Unitholdings maintained by the Manager, as at 28 February 2017, the Substantial Unitholders of Keppel DC REIT and their interests in the Units in Keppel DC REIT are as follows:

Name	No. of Units	%
Temasek Holdings (Private) Limited	424,744,291 (Deemed) ¹	37.69
Keppel Corporation Limited	395,656,848 (Deemed) ²	35.11
Keppel Telecommunications & Transportation Ltd	340,538,512 (Deemed) ³	30.22
Keppel DC Investment Holdings Pte. Ltd	338,580,976 (Direct)	30.04

Notes:

- (1) Temasek Holdings (Private) Limited's deemed interest arises from the deemed interest held by Keppel Corporation Limited and other subsidiaries and associated companies of Temasek Holdings (Private) Limited.
- (2) Keppel Corporation Limited's deemed interest arises from its shareholdings in (i) Keppel DC Investment Holdings Pte. Ltd., a wholly-owned subsidiary of Keppel Telecommunications & Transportation Ltd, which is in turn a subsidiary of Keppel Corporation Limited, (ii) Keppel DC REIT Management Pte. Ltd., a joint-venture of Keppel Telecommunications & Transportation Ltd and Keppel Capital Holdings Pte. Ltd., both of which are subsidiaries of Keppel Corporation Limited and (iii) DC REIT Holdings Pte. Ltd., a wholly-owned subsidiary of Keppel Land Limited, which is in turn a subsidiary of Keppel Corporation Limited.
- (3) Keppel Telecommunications & Transportation Ltd's deemed interest arises from its shareholdings in (i) Keppel DC Investment Holdings Pte. Ltd., a wholly-owned subsidiary of Keppel Telecommunications & Transportation Ltd and (ii) Keppel DC REIT Management Pte. Ltd., a joint-venture of Keppel Telecommunications & Transportation Ltd and Keppel Capital Holdings Pte. Ltd.

Public Unitholders

Based on the information available to the Manager as at 28 February 2017, approximately 62.25% of the issued Units in Keppel DC REIT is held by the public and therefore, pursuant to Rules 1207 and 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited, it is confirmed that at least 10% of the issued Units in Keppel DC REIT is at all times held by the public.

Treasury Units

As at 28 February 2017, there are no treasury units held by Keppel DC REIT or the Manager.

Financial Calendar

Financial Year Ended 31 December 2016

First Quarter 2016 Results Announcement	13 April 2016
Second Quarter 2016 Results Announcement	18 July 2016
Half Year Distribution to Unitholders	31 August 2016
Third Quarter 2016 Results Announcement	17 October 2016
Full Year 2016 Results Announcement	23 January 2017
Final Distribution to Unitholders	28 February 2017
Despatch of Annual Report to Unitholders	27 March 2017
Annual General Meeting	18 April 2017

Financial Year Ending 31 December 2017

First Quarter 2017 Results Announcement	April 2017
Second Quarter 2017 Results Announcement	July 2017
Third Quarter 2017 Results Announcement	October 2017
Full Year 2017 Results Announcement	January 2018

Notice of Annual General Meeting



(Constituted in the Republic of Singapore
pursuant to a trust deed dated 17 March 2011 (as amended))

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of the holders of units of Keppel DC REIT (the "**Unitholders**"), will be held at Suntec Singapore Convention & Exhibition Centre, Summit 2 Room (Level 3), 1 Raffles Boulevard, Suntec City, Singapore 039593 on 18 April 2017 at 3.00 p.m. to transact the following business:

(A) AS ORDINARY BUSINESS

1. To receive and adopt the Report of Perpetual (Asia) Limited, as trustee of Keppel DC REIT (the "**Trustee**"), the Statement by Keppel DC REIT Management Pte. Ltd., as manager of Keppel DC REIT (the "**Manager**"), and the Audited Financial Statements of Keppel DC REIT for the financial year ended 31 December 2016 and the Auditors' Report thereon. (**Ordinary Resolution 1**)
2. To appoint Messrs PricewaterhouseCoopers LLP ("**PwC**") as the Auditor of Keppel DC REIT for the financial year ending 31 December 2017 in place of the retiring auditor, Messrs KPMG LLP ("**KPMG**"), to hold office until the conclusion of the next AGM of Keppel DC REIT, and to authorise the Manager to fix their remuneration. (**Ordinary Resolution 2**)

(Please see Explanatory Notes)

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**") and Keppel Telecommunications & Transportation Ltd ("**Keppel T&T**") to the Trustee:

(a) Mr Lee Chiang Huat; and (**Ordinary Resolution 3**)

(b) Mr Lim Chin Hu. (**Ordinary Resolution 4**)

(Please see Explanatory Notes)

4. To endorse the appointment of Ms Christina Tan as Director pursuant to the undertaking dated 1 July 2016 provided by Keppel Capital and Keppel T&T to the Trustee. (**Ordinary Resolution 5**)

(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 DC 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 DC 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

- (b) issue Units in pursuance of any Instrument 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),

Notice of Annual General Meeting

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 Instrument) 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 DC 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 DC REIT or (ii) the date on which the next AGM of Keppel DC 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 DC REIT to give effect to the authority contemplated and/or authorised by this Resolution. (**Ordinary Resolution 6**)

(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 DC REIT Management Pte. Ltd.
 (Company Registration Number: 199508930C)
 As Manager of Keppel DC REIT



Kelvin Chua
 Company Secretary
 Singapore
 27 March 2017

Explanatory notes:

1. Ordinary Resolution 2

The Ordinary Resolution 2 above, if passed, will allow for the appointment of PwC as Auditor of Keppel DC REIT for the financial year ending 31 December 2017 in place of the retiring Auditor, KPMG (the **"Proposed Change of Auditor"**) and to authorise the Manager to fix their remuneration. Information on PwC, the rationale of the Proposed Change of Auditor, the confirmations pursuant to Rule 1203(5) of the Listing Manual, the Audit and Risk Committee's statement in support of the Proposed Change of Auditor pursuant to Ordinary Resolution 2 and the Directors' recommendation are set out in the Appendix to this Notice of AGM dated 27 March 2017.

2. Ordinary Resolutions 3 to 5

Keppel Capital and Keppel T&T had on 1 July 2016 provided an undertaking (the **"Undertaking"**) to the Trustee:

- in relation to the Directors who are named in the final prospectus of Keppel DC REIT dated 5 December 2014, to procure the Manager to seek Unitholders' re-endorsement for the appointment of each such Director no later than the third AGM after the date of listing of Keppel DC REIT on the SGX-ST;
- to procure the Manager to seek Unitholders' re-endorsement for the appointment of each Director no later than every third AGM of Keppel DC 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 DC 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 DC 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, Keppel Capital or Keppel T&T from appointing any Director from time to time in accordance with applicable laws and regulations (including any applicable rule of SGX-ST) and the Constitution of the Manager.

The Undertaking shall remain in force for so long as:

- Keppel Capital and Keppel T&T continue to hold shares in the Manager; and
- Keppel DC REIT Management Pte. Ltd. remains as the manager of Keppel DC REIT.

Notwithstanding that the Undertaking requires the Manager to seek Unitholders' re-endorsement for the appointment of each Director named in the final prospectus of Keppel DC REIT no later than the third AGM of Keppel DC REIT after the date of listing of Keppel DC REIT on the SGX-ST, the Manager is seeking the re-endorsement of the appointments of Mr Lee Chiang Huat and Mr Lim Chin Hu at the AGM to be held in 2017 so that eventually at any one AGM, only one-third of the Directors will seek re-endorsement. In addition, as Ms Christina Tan was appointed as Director on 15 September 2016, the Manager is also seeking the endorsement for her appointment at the AGM to be held in 2017.

Detailed information on Mr Lee Chiang Huat, Mr Lim Chin Hu and Ms Christina Tan can be found in the "Board of Directors" section in Keppel DC REIT's Annual Report 2016.

Mr Lee Chiang Huat will, upon re-endorsement, continue to serve as an independent Director and the Chairman of the Audit and Risk Committee.

Mr Lim Chin Hu will, upon re-endorsement, continue to serve as an independent Director and a member of the Executive Committee.

Ms Christina Tan will, upon endorsement, continue to serve as a non-executive non-independent Director and a member of the Executive Committee.

Mr Lee Chiang Huat and Mr Lim Chin Hu 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 in pages 12 to 15 of Keppel DC REIT's Annual Report 2016.

3. Ordinary Resolution 6

The Ordinary Resolution 6 above, if passed, will empower the Manager from the date of this AGM until (i) the conclusion of the next AGM of Keppel DC REIT; (ii) the date on which the next AGM of Keppel DC 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 6 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 6 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 6 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/her stead. A proxy need not be a Unitholder.
2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A Unitholder who is a relevant intermediary entitled to attend the meeting and vote 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 (as 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.
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 later than 15 April 2017 at 3.00 p.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**"), and (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



(Constituted in the Republic of Singapore pursuant to a trust deed dated 17 March 2011 (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 DC REIT ("Units"), this Annual 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 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 3 and 5 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 proxy or proxies and/or representative(s), a unitholder of Keppel DC REIT accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 27 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 DC 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 DC REIT to be held at Suntec Singapore Convention & Exhibition Centre, Summit 2 Room (Level 3), 1 Raffles Boulevard, Suntec City, Singapore 039593 on 18 April 2017 at 3.00 p.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*
Ordinary Business			
1.	To receive and adopt the Trustee's Report, the Manager's Statement, the Audited Financial Statements of Keppel DC REIT for the financial year ended 31 December 2016 and the Auditors' Report thereon		
2.	To appoint Messrs PricewaterhouseCoopers LLP as the Auditor of Keppel DC REIT for the financial year ending 31 December 2017 in place of the retiring auditor, Messrs KPMG LLP, and authorise the Manager to fix the Auditors' remuneration		
3.	To re-endorse the appointment of Mr Lee Chiang Huat as Director		
4.	To re-endorse the appointment of Mr Lim Chin Hu as Director		
5.	To endorse the appointment of Ms Christina Tan as Director		
Special Business			
6.	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, please indicate the number of votes as appropriate

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 DC 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/her stead. A proxy need not be a Unitholder.
2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A Unitholder who is a relevant intermediary entitled to attend the meeting and vote 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 instrument appointing a proxy or proxies (the "**Proxy Form**") 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 Units 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.

"**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.
4. A Unitholder should insert the total number of Units held in the Proxy Form. If the Unitholder has Units entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he/she should insert that number of Units. If the Unitholder has Units registered in his/her name in the Register of Unitholders of Keppel DC REIT, he/she should insert that number of Units. If the Unitholder has Units entered against his/her name in the said Depository Register and registered in his/her name in the Register of Unitholders, he/she should insert the aggregate number of Units. If no number is inserted, this Proxy Form will be deemed to relate to all the Units held by the Unitholder.

Fold along this line (1)

Keppel DC REIT

Affix
Postage
Stamp

The Company Secretary
Keppel DC REIT Management Pte. Ltd.
(As manager of Keppel DC REIT)
1 HarbourFront Avenue
#18-01 Keppel Bay Tower
Singapore 098632

Fold along this line (2)

5. 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.
6. The Proxy Form must be executed under the hand of the appointor or of his/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.
7. 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.
8. 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/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/her proxy/ies (if any) are able to cast on a 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.
9. All Unitholders will be bound by the outcome of the AGM regardless of whether they have attended or voted at the AGM.
10. 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 DC REIT Management Pte. Ltd.

1 HarbourFront Avenue
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