



(Constituted in Republic of Singapore pursuant to a trust deed dated 17 March 2011 (as amended))

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## RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS FOR THE ANNUAL GENERAL MEETING ON 17 APRIL 2024

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Keppel DC REIT Management Pte. Ltd., as manager of Keppel DC REIT (the “**Manager**”), refers to:

- (a) Keppel DC REIT’s notice of annual general meeting (“**AGM**”) dated 26 March 2024; and
- (b) the accompanying announcement released on 26 March 2024 setting out the procedures relating to the AGM which will be held in a wholly physical format.

The Manager wishes to thank all unitholders of Keppel DC REIT (“**Unitholders**”) who have submitted their questions in advance of the AGM. The Manager’s responses to substantial and relevant questions received from Unitholders are published in this announcement. For Unitholders’ ease of reference and reading, the Manager wishes to inform Unitholders that it had summarised and consolidated certain related and similar questions under relevant topic headings, and made editorial amendments to some of the questions to ensure that the meaning of each question is clear. For the avoidance of doubt, the editorial amendments do not change the meaning of the questions.

Please refer to **Annex A** hereto for the list of substantial and relevant questions, and the Manager’s responses to these questions.

By Order of the Board

Keppel DC REIT Management Pte. Ltd.  
(UEN 199508930C)  
as Manager of Keppel DC REIT

Chiam Yee Sheng / Darren Tan  
Company Secretaries  
12 April 2024

## ANNEX A: RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS

No	Questions & Responses
1.	<p><b>Please share an update on the future growth plans.</b></p> <ul style="list-style-type: none"> <li>We are always on the lookout for good accretive acquisitions. Acquisitions have been a key driver for Keppel DC REIT, and we are committed to continue growing the portfolio.</li> <li>Given our global mandate, we will focus on opportunities, in particular, in established and emerging data centre hubs in Asia Pacific, Europe and the US.</li> <li>According to Cushman &amp; Wakefield, there is headroom for further growth and more opportunities for the data centre sector in Asia Pacific. Singapore continues to be a leading data centre hub for its regional and global connectivity<sup>1</sup>.</li> <li>For Keppel DC REIT, Singapore will remain one of our key preferred markets given that it is a strong data centre market. As our home ground, approximately 56% of our portfolio is in Singapore as at 31 December 2023, and Singapore will continue to be an anchor for our portfolio.</li> <li>Within Asia Pacific, we are currently not present in countries such as Japan and South Korea and will be happy to look at the right opportunities that are accretive.</li> <li>Our established track record and the extensive network with industry players such as developers or funds provide us with access to exclusive, off-market deals from third parties.</li> <li>In addition, Keppel has more than \$2 billion worth of data centre assets, including those under Keppel's data centre private funds, that we can potentially acquire.</li> <li>At the same time, we will continuously assess our portfolio to identify areas to unlock value, allowing us to redeploy resources into accretive opportunities.</li> </ul>
2.	<p><b>Please provide updates surrounding the master lessee default at the Guangdong Data Centres (GDC). What does the recovery roadmap look like? Would it be better to replace the master lessee? Are there any timelines the management has to resolve this issue? What is the impact on future DPU over the next few years?</b></p> <ul style="list-style-type: none"> <li>Following the issue of a letter of demand for default on rent and coupon payments for our three data centres in Guangdong in December 2023, we have been continuing our active engagement with the master lessee to safeguard the interests of the REIT and its stakeholders.</li> <li>We believe that the master lessee remains committed to resolve the situation and has made additional partial payments totalling RMB0.65 million in 1Q 2024.</li> <li>Based on our assessment of the current situation, a firm but collaborative approach with the master lessee would be the best way forward.</li> <li>We have implemented a recovery roadmap with the master lessee that may translate to earnings to Keppel DC REIT sooner than if we were to go into litigation, which would be a long-drawn process.</li> <li>With this roadmap in place, we have more detailed insights and are receiving regular updates on the underlying performance of GDC 1 and 2, despite the properties being master lease assets.</li> <li>The recovery will take time to flow through. Nonetheless, we are starting to see some signs of recovery.</li> </ul>

<sup>1</sup> Asia Pacific Data Centre Update H2 2023, Cushman & Wakefield, Feb 2024.

No	Questions & Responses
	<ul style="list-style-type: none"> <li>• As for the acquisition of GDC 3, we have reserved our rights to give us more options. Discussions with the Seller are ongoing to evaluate potential options including a sale to third parties.</li> <li>• Discussions with the tenant will continue as we work towards achieving our desired outcome of the (i) recovery of arrears, (ii) top up of security deposits and (iii) tenant being current with rent.</li> <li>• We continue to actively work with the master lessee and track the progress of their recovery closely, so that we can promptly assess and evaluate how to protect the interests of Keppel DC REIT and its stakeholders.</li> <li>• On a full year basis, if the rent, coupon, and recoveries as at 31 December 2023 cannot be fully recovered, it is estimated that there will be a negative impact on Keppel DC REIT's FY 2023 DPU of approximately 0.649 cents, or 6.9%.</li> <li>• Assuming there is no income from the master lessee for one calendar year, the estimated distributable income impact would be approximately S\$23.5 million (Distribution per Unit of 1.363 cents), representing 14.5% of FY 2023 Distribution per Unit.</li> <li>• Whilst we work towards achieving the best outcome on this matter, we continue to focus on growing and optimising Keppel DC REIT's portfolio. An enlarged portfolio will strengthen our portfolio and income diversification.</li> </ul>
3.	<p><b>With the proliferation of artificial intelligence (AI), will there be any additional capital expenditures (capex) required to equip the data centre properties to cater to the AI requirements for the colocation assets?</b></p> <ul style="list-style-type: none"> <li>• We recognise tremendous opportunities arising from AI, and this will form part of our strategic growth initiatives, leveraging our proven track record and strengths to capitalise on such positive industry trends.</li> <li>• Data centres serving AI demand may be classified into two broad categories – inference and machine learning.</li> <li>• The existing data centres in our portfolio are able to support AI inference workloads where latency is a key consideration to ensure quick response times.</li> <li>• Nonetheless, we carry out regular capex review with the facilities manager to determine the capex required to ensure our assets remain competitive and efficient. In terms of funding, we have been and will continue to set aside capex reserves for planned periodic maintenance, as well as overhauls and end of life replacements for some of our colocation assets. For the other colocation and master lease assets, where required, the REIT can tap on its undrawn credit facilities to fund such capex.</li> <li>• For data centres supporting machine learning, latency requirements are less stringent and can be located in suburban areas. They generally require access to available power, renewable sources of power and land availability. These data centres are likely to be new builds and are considered as future growth opportunities.</li> </ul>
4.	<p><b>Given that the big tech companies like Alphabet and Amazon are building their own data centre properties to host sensitive data, and an increasing number of other companies look set to follow suit, will that lead to a gradual decline in demand in leases for data centres owned by third parties (like Keppel DC REIT's)?</b></p> <ul style="list-style-type: none"> <li>• Demand for data centres is expected to outpace supply.</li> <li>• The strong demand for data centres is underpinned by several secular trends including the continued move to the cloud, global rollout of 5G technology and wider adoption of AI.</li> </ul>

No	Questions & Responses
	<p>With the growing demands of AI, JLL estimates that data centre storage capacity will grow at a five-year compound annual growth rate of 18.5%, from 10.1 zettabytes (ZB) in 2023 to 21.0 ZB in 2027<sup>2</sup>. More countries are also mandating that businesses store and process data within their borders, resulting in growing local demand for data centres<sup>2</sup>.</p> <ul style="list-style-type: none"> <li>• On the other hand, supply is expected to be constrained due to a lack of available power and increasing sustainability concerns. For instance, governments in Singapore, Amsterdam and Dublin have imposed restrictions on new data centre supply.</li> <li>• Cloud service providers continue to pursue a mix of self-build and colocation strategies to meet demand from their end-users. Colocation remains an attractive option for cloud service providers as it offers a flexible and scalable option with shorter lead time to delivery of capacity when compared to a self-build strategy.<sup>3</sup> Self-builds are also limited by various factors including access to land, power availability and the ease of execution in various jurisdictions.</li> <li>• Keppel DC REIT will continue to ensure we remain a preferred partner for hyperscalers. This includes curating a portfolio of strategically located data centres in markets important to our target clients, as well as working with Keppel Data Centres to create a robust and reliable ecosystem that meets the stringent and evolving needs of hyperscalers.</li> </ul>
5.	<p><b>What is the status surrounding Cyxtera at one of your data centres in the United Kingdom? Is the data centre still occupied by Cyxtera? If it is, then can the management provide an update on the payment of rentals? If not, has the property been leased to other companies or is it vacant?</b></p> <ul style="list-style-type: none"> <li>• Cyxtera is residing in one of our data centres in the UK, and was not impacted by Cyxtera's Chapter 11 filing in the US.</li> <li>• The asset accounts for less than 2% of Keppel DC REIT's AUM.</li> <li>• It is business as usual and the conclusion of the sale to Brookfield is a positive development.</li> </ul>
6.	<p><b>If the proposed rate cuts by the U.S. Federal Reserve do not materialise this year, how will the REIT navigate a higher-for-longer interest environment?</b></p> <ul style="list-style-type: none"> <li>• The bulk of our debt expires in 2026 and beyond, and most of these were entered into before the sharp increase in interest rates. Only ~11% of the loans are due in 2024 and 2025 and majority are already on floating rates and marked-to-market. We will proactively manage our debt maturity profile to mitigate financing risks.</li> <li>• To manage exposure to fluctuating interest rates, 74% of our loans are at fixed interest rates as at 31 December 2023 and a change in interest rates would only affect the remaining 26% unhedged borrowings.</li> <li>• We will continue to monitor interest rates and look to hedge where feasible, maintaining a balance between flexibility, hedging costs and mitigating significant fluctuations in cashflow. Keppel DC REIT will also be able to benefit from being part of the Keppel Group which has strong relationships with both local and international banks.</li> </ul>

<sup>2</sup> Growth of AI creates unprecedented demand for global data centers, JLL, Jan 2024.

<sup>3</sup> DCByte, Feb 2024.