



Solutions for **Sustainable Urbanisation**

Report to Unitholders 2017

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.

Solutions for Sustainable Urbanisation

Keppel is a multi-business company committed to providing robust solutions for sustainable urbanisation.

As the Manager of Keppel DC REIT, we seek to capture value from the growth of the digital economy through our focused investment strategy, as well as prudent capital management and proactive asset management approach.

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Sustainability Report

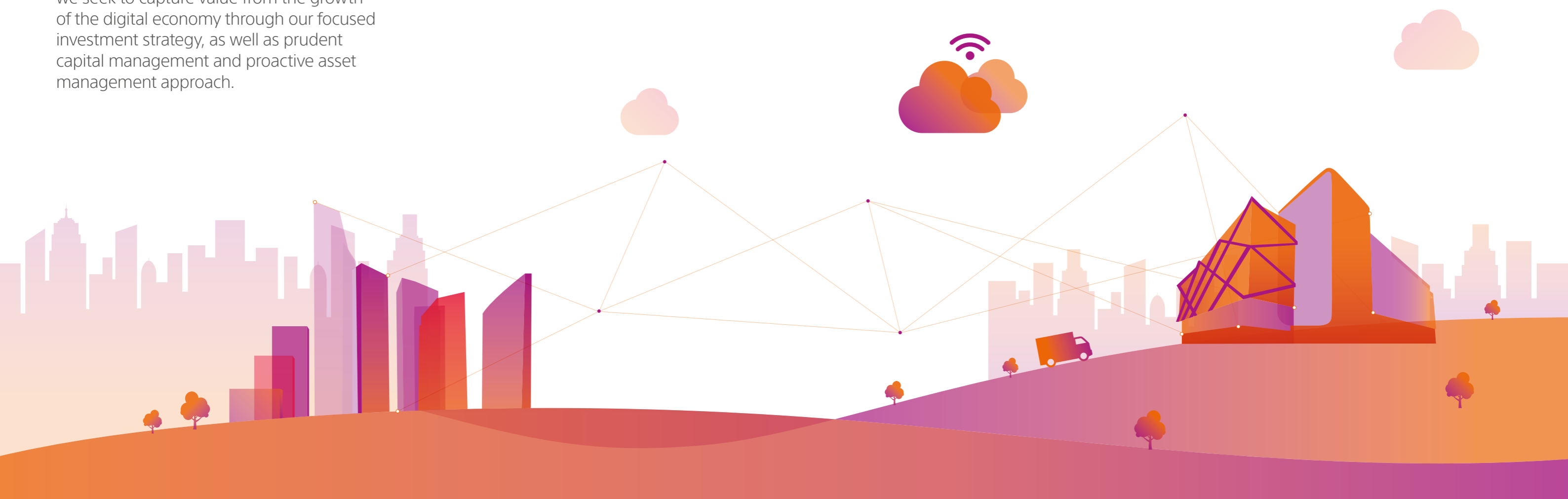
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Key Figures for 2017

Distributable Income⁽¹⁾

\$82.3m

34.8% higher than 2016's \$61.0m

Increase was mainly due to higher contribution from acquisitions and Keppel DC Singapore 1, as well as a one-off capital distribution in relation to Keppel DC Singapore 3. This was partially offset by lower income from Keppel DC Singapore 2, Basis Bay Data Centre and Gore Hill Data Centre, and the absence of a one-off net property tax refund recorded in 2016.

Distribution per Unit (DPU)

7.12cts

16% higher than 2016's 6.14 cents

The adjusted DPU for 2017 would have been 6.97 cents, 4.3% higher than 2016's adjusted DPU of 6.68 cents after adjusting for the one-off capital distribution in 2017, as well as the impact of the pro-rata preferential offering and the one-off net property tax refund recorded in 2016.

Net Asset Value (NAV) per Unit

\$0.97

2.1% above 31 December 2016's \$0.95

Adjusted NAV per Unit was \$0.93 (31 December 2016: \$0.93), excluding DPU of 3.49 cents declared for 2H 2017 (2H 2016: 2.80 cents).

Net Property Income (NPI)

\$125.1m

37.6% higher than 2016's \$90.9m

Increase was mainly due to contribution from various acquisitions since 2H 2016 and higher variable income from Keppel DC Singapore 1. This was partially offset by lower income from Keppel DC Singapore 2, Basis Bay Data Centre and Gore Hill Data Centre, and the absence of a one-off net property tax refund recorded in 2016.

Aggregate Leverage⁽²⁾

32.1%

380 basis points higher than 31 December 2016's 28.3%

Increase was mainly due to a loan drawn for the acquisition of Keppel DC Dublin 2.

Interest Coverage

9.7times

Improved from 2016's 9.4 times

Improvement was mainly due to higher NPI in 2017.

Assets Under Management⁽³⁾

\$1.51b

25.8% higher than 31 December 2016's \$1.20b

Increase was largely due to the acquisitions of Keppel DC Singapore 3 and Keppel DC Dublin 2.

Portfolio Occupancy

92.6%

Remained at a healthy level as at 31 December 2017

Of the 13 assets in Keppel DC REIT's portfolio, nine were fully leased.

Notes:

⁽¹⁾ The distributable income included Keppel DC Singapore 3's Capex Reserves, pursuant to the lease agreement entered into for Keppel DC Singapore 3.

⁽²⁾ Aggregate leverage is 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.

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 2017, the REIT had a portfolio valued at approximately \$1.51 billion, comprising 13 data centres strategically located in key data centre hubs.

With a total attributable lettable area of approximately 917,240 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 being developed by the vendor in Offenbach am Main, Germany. It is expected to be legally completed in 2Q 2018.

The REIT is managed by Keppel DC REIT Management Pte. Ltd., (the Manager). Keppel Capital Holdings Pte. Ltd. (Keppel Capital) has a 50% interest in the Manager,

with the remaining interest held by Keppel Telecommunications & Transportation Ltd (Keppel T&T). Keppel Capital is a premier asset manager in Asia with assets under management of approximately \$29 billion comprising real estate, infrastructure and data centre properties in key global markets. As the Sponsor of the REIT, Keppel T&T has also granted Rights of First Refusal (ROFR) to the REIT for future acquisition opportunities of its data centre assets.

Keppel DC REIT aims to be the preferred data centre real estate investment trust, serving as a trusted partner to our stakeholders.

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



Focused Investment Strategy

- Pursue strategic growth opportunities that complement the portfolio, strengthen presence across key data centre hubs 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 terms.

Proactive Asset Management

- Optimise portfolio returns by managing existing leases proactively and engaging prospective clients on new opportunities.
- Manage property expenses prudently to raise operational efficiency.
- Deliver quality offerings that meet the evolving requirements of a global clientele.
- Review the portfolio regularly to identify opportunities for portfolio optimisation.

Prudent Capital Management

- Employ an optimal mix of debt and equity in financing acquisitions to optimise returns while maintaining financial flexibility.
- Apply appropriate hedging strategies to achieve best risk-adjusted returns and enhance stability of distributions to Unitholders.
- Diversify sources of funding and achieve well-spread debt maturity profile to reduce concentration risks.
- Secure favourable credit facilities and terms to fund operational needs.
- Monitor risk exposure closely to ensure effectiveness of policies against evolving market conditions.

Chairman's Statement



Chan Hon Chew
Chairman

The Manager has maintained its focused investment strategy, achieving a steady growth momentum and expanding Keppel DC REIT's portfolio by 50% in the span of three years.

Key Milestones in 2017

Achieved \$82.3 million of distributable income for FY 2017, a 34.8% year-on-year growth from FY 2016's \$61.0 million.

Completed acquisition of a 90% interest in Keppel DC Singapore 3 and acquired Keppel DC Dublin 2, the REIT's second colocation data centre in Dublin, Ireland.

Established \$500 million Multicurrency Medium Term Note Programme.

Transitioned to 100% renewable energy supply at Keppel DC Dublin 1.

Dear Unitholders,

On behalf of the Board and management, I am pleased to present to you Keppel DC REIT's Report to Unitholders for the financial year ended 31 December 2017 (FY 2017).

The global data centre industry continued to expand in the past year, supported by the growth of cloud service providers, increased storage and processing requirements due to end user adoption of new technologies and data sovereignty regulations. As a pure-play data centre REIT, Keppel DC REIT offers Unitholders a unique opportunity to participate in these growth trends and the overall development of the digital economy through its portfolio of quality data centres across Asia Pacific and Europe.

Since the listing of Keppel DC REIT in December 2014, the Manager has maintained its focused investment strategy, achieving a steady growth momentum and expanding Keppel DC REIT's portfolio by 50% in the span of three years. This is testament to our commitment to grow the REIT through a disciplined approach seeking quality income-producing acquisitions in key data centre hubs.

At the same time, the Manager continued to execute its proactive asset management and capital management strategies to capture value from the data centre industry for Unitholders.

Delivering Sustainable Growth

I am pleased to report that Keppel DC REIT achieved \$82.3 million of distributable income for FY 2017, a 34.8% year-on-year (y-o-y) growth from FY 2016's \$61.0 million. Distribution per Unit (DPU) was 7.12 cents for FY 2017, up 16.0% from 6.14 cents in FY 2016.

The growth in distributable income was contributed by the REIT's acquisitions since 2H 2016, higher variable income from Keppel DC Singapore 1, as well as a one-off capital distribution received in relation to the Keppel DC Singapore 3 acquisition. The increase was partially offset by lower income from Keppel DC Singapore 2, Basis Bay Data Centre and Gore Hill Data Centre, as well as the absence of a one-off net property tax refund recorded in FY 2016. Excluding the one-off items and adjusting for the impact of the pro-rata preferential

offering in November 2016, the adjusted DPU for FY 2017 and FY 2016 would be 6.97 cents and 6.68 cents respectively.

Building Resilience

In 2017, Keppel DC REIT strengthened its presence in two key data centre hubs in Asia and Europe with acquisitions in Singapore and Dublin, Ireland. In January 2017, the REIT completed the acquisition of a 90% interest in Keppel DC Singapore 3, its third Singapore asset, and bolstered its foothold in Singapore. Subsequently, in September 2017, the REIT acquired its second data centre asset in Dublin – Keppel DC Dublin 2.

The strategic addition of these two facilities allows the REIT to reap operational synergies from its existing data centres in these markets and expanded its assets under management (AUM) to 13 quality data centres valued at approximately \$1.51 billion as at end 2017. Including maincubes Data Centre which is still under development and expected to be completed in 2Q 2018, Keppel DC REIT's AUM will increase to approximately

\$1.65 billion. More importantly, Unitholders can look forward to a sustainable income stream from the asset with the commencement of the 15-year triple-net master lease.

Apart from seeking inorganic growth, the Manager continues to be proactive in its leasing efforts and its engagement of existing and prospective clients to meet their business needs. Portfolio occupancy remained at a healthy level of 92.6%, while the weighted average lease expiry by leased area was long at 9.1 years, providing good visibility to the REIT's income streams.

During the year, Keppel DC Dublin 1 also rolled out asset enhancement initiatives to increase the asset's overall power efficiency. The Manager will continue to review the REIT's portfolio regularly to identify opportunities for portfolio optimisation.

Adapting to Changes

The Manager has consistently adopted a prudent capital management approach



1.
The REIT acquired its second data centre asset in Dublin, Keppel DC Dublin 2 (formerly B10 Data Centre).

Chairman's Statement



The Manager strives to embed green initiatives in its business to minimise impact on the environment.

to mitigate the effects of interest rate and foreign currency fluctuations. This puts the REIT in good stead amidst market volatilities and maintains the stability of distributions to Unitholders.

All loans that were maturing in 2018 have been refinanced and interest rates for long-term loans have been substantially fixed, extending the average debt tenor and providing greater certainty of interest expense. The Manager also hedged its forecasted foreign-sourced distributions till 1H 2019 to mitigate the REIT's exposure to fluctuations in foreign currency exchange rates.

In 2017, a \$500 million Multicurrency Medium Term Note Programme was established to diversify the REIT's sources of funding. Aggregate leverage remained healthy at 32.1%, providing the REIT comfortable debt headroom to pursue further growth opportunities.

Driving Long-term Sustainability

In the pursuit of sustainable growth for Keppel DC REIT, the Manager believes in doing good while doing well. The Manager is committed to achieving excellence in environmental, social

and governance (ESG) practices in its strategy and business operations.

To communicate its approach towards sustainability, the Manager is publishing its sustainability report this year in accordance with the internationally-recognised Global Reporting Initiative Standards: Core option.

The Board of Directors has reviewed and approved the material ESG issues for Keppel DC REIT, and considers them as part of the REIT's strategy formulation. The Board oversees the management and monitoring of these issues and evaluates them periodically.

During the year, energy and water conservation initiatives were implemented at a number of assets. On the governance front, I am also pleased to share that Keppel DC REIT topped the inaugural Governance Index for Trusts, which was launched in 2017 and developed specifically for Singapore-listed REITs and business trusts.

Looking ahead, the Manager remains confident of the data centre industry's growth opportunities that are

Distribution per Unit (DPU)

▲ 16%

7.12cts

FY 2017 DPU included the one-off capital distribution in relation to the acquisition of Keppel DC Singapore 3.

Assets Under Management (AUM)

▲ 25.8%

\$1.51b

From \$1.20b in 2016.

underpinned by the increasing demands of the digital economy and data centre outsourcing requirements. Cloud adoption trends are gaining traction amongst consumers and corporations while digital transformation remains a key part of corporations' business strategies, driving continued demand for high-redundancy data centre facilities to host large enterprises' mission-critical workloads.

These industry trends bode well for Keppel DC REIT. The Manager will continue to adapt and position the REIT to capitalise on opportunities available across Asia Pacific and Europe to achieve long-term value creation for its Unitholders.

Acknowledgements

In August 2017, Mr Lim Chin Hu stepped down from the Board of Keppel DC REIT Management Pte. Ltd.. On behalf of the Board, I would like to express my heartfelt appreciation to Mr Lim for his invaluable counsel and contribution towards the growth of Keppel DC REIT since its listing.

I would also like to thank our Unitholders, business partners and valued clients for their continuous support and confidence in Keppel DC REIT. Much appreciation is also extended to my fellow Directors for their commitment and guidance, as well as the management team and staff for their dedication in growing the REIT. We look forward to charting the REIT's next phase of growth and delivering further value to Unitholders.



Chan Hon Chew
Chairman

20 February 2018

1. The Manager implemented energy and water conservation initiatives at a number of its assets during the year.

2. High-redundancy data centre facilities remain in demand with the growth of the digital economy and data centre outsourcing requirements.



Group Financial Highlights

Results Highlights and Ratios

For the financial year ended 31 December

	2017 \$'000	2016 \$'000	Change %
Gross revenue	139,050	99,139	40.3
Net property income	125,119	90,936	37.6
Distributable income ⁽¹⁾	82,320	61,048	34.8
Distribution per Unit (DPU) ⁽²⁾ (cents)	7.12	6.14	16.0
Adjusted distribution per Unit (DPU) ⁽²⁾ (cents)	6.97	6.68	4.3
Distribution yield ⁽²⁾⁽³⁾ (%)	4.98	4.29	69 bps
Adjusted distribution yield ⁽²⁾⁽³⁾ (%)	4.87	4.67	20 bps
Weighted average all-in interest rate (% per annum)	2.2	2.3	(10 bps)
Interest coverage ratio (times)	9.7	9.4	Nm

Balance Sheet Highlights and Ratios

as at 31 December

	2017 \$'000	2016 \$'000	Change %
Investment properties ⁽⁴⁾	1,570,090	1,225,938	28.1
Total assets ⁽⁴⁾⁽⁵⁾	1,763,282	1,582,999	11.4
Gross borrowings ⁽⁵⁾⁽⁶⁾	(546,481)	(439,321)	24.4
Finance lease liabilities ⁽⁴⁾⁽⁵⁾	(33,769)	(32,398)	4.2
Total liabilities	(646,780)	(509,131)	27.0
Unitholders' funds	1,089,716	1,073,525	1.5
Units in issue ('000)	1,127,171	1,125,210	0.2
Net asset value (NAV) per Unit (\$)	0.97	0.95	2.1
Adjusted NAV per unit, excluding distribution (\$)	0.93	0.93	-
Unit price as at balance sheet date (\$)	1.430	1.185	20.7
Premium to NAV ⁽⁷⁾ (%)	47.4	24.7	23 pp
Aggregate leverage ⁽⁵⁾ (%)	32.1	28.3	380 bps

⁽¹⁾ The distributable income included Keppel DC Singapore 3's Capex Reserves for the financial year ended 31 December 2017.

⁽²⁾ Excluding the one-off capital distribution of approximately 0.15 cents per Unit for the month of December 2016 arising from the later completion of Keppel DC Singapore 3 and where the vendor had agreed that all rights and obligations shall pass to the REIT as if completion had occurred on 1 December 2016, the adjusted DPU for FY 2017 would be 6.97 cents. FY 2016's adjusted DPU would have been 6.68 cents after adjusting for the impact of the 242 million new Units listed on 15 November 2016 pursuant to the pro-rata preferential offering and the one-off net property tax refund recorded in 3Q 2016.

⁽³⁾ Based on the closing price of \$1.430 on the last trading day of 2017.

⁽⁴⁾ Investment properties and total assets include the carrying value of the finance lease liabilities capitalised pertaining to the land rent commitments for iseek Data Centre and Keppel DC Dublin 1.

⁽⁵⁾ 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 were included, the aggregate leverage would be 33.4% (31 December 2016: 29.8%).

⁽⁶⁾ Gross borrowings relates to bank borrowings drawn down from loan facilities.

⁽⁷⁾ Based on NAV as at 31 December 2017 and 31 December 2016.

bps = basis points

Nm = Not meaningful

pp = percentage points

Group Quarterly Results

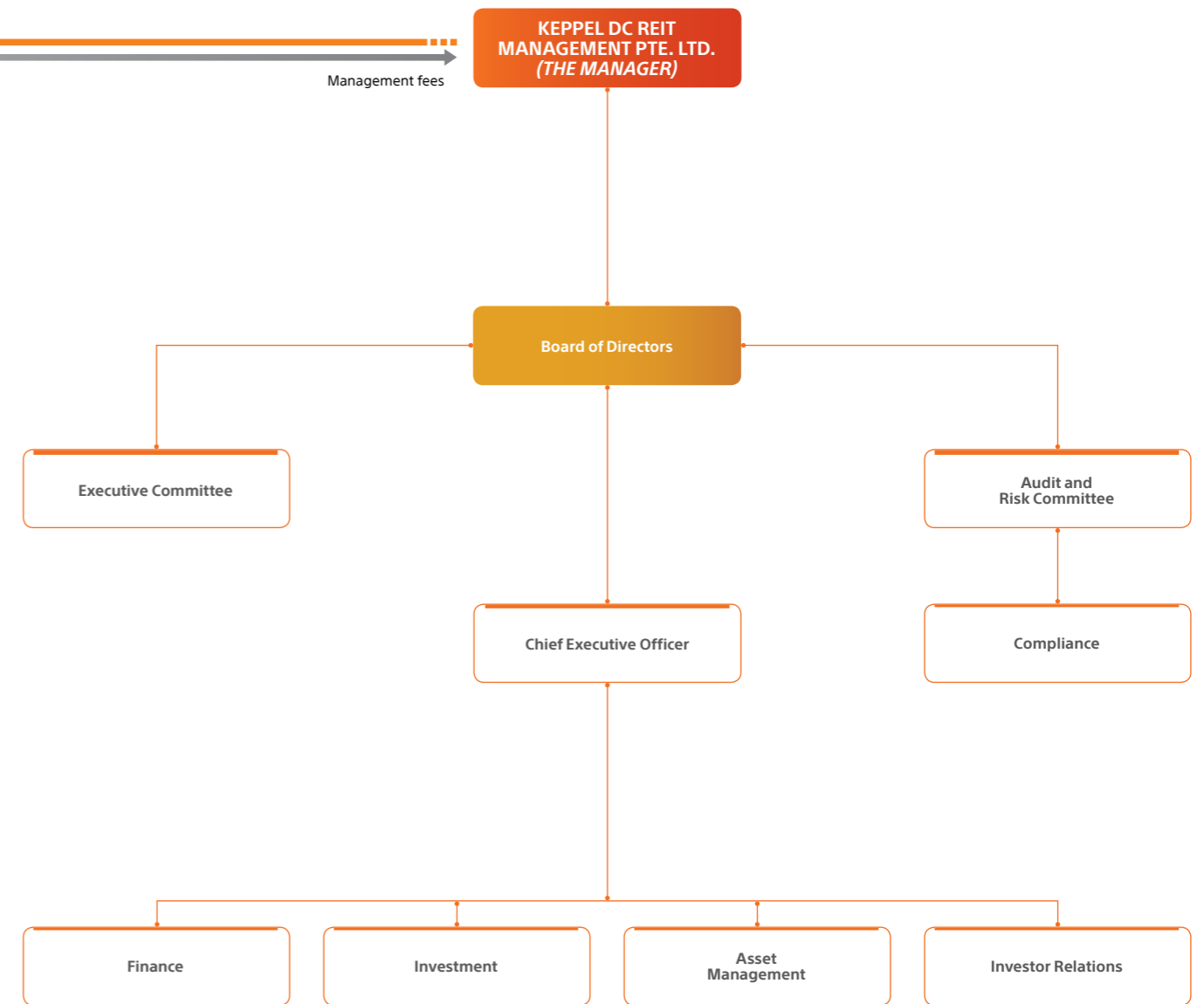
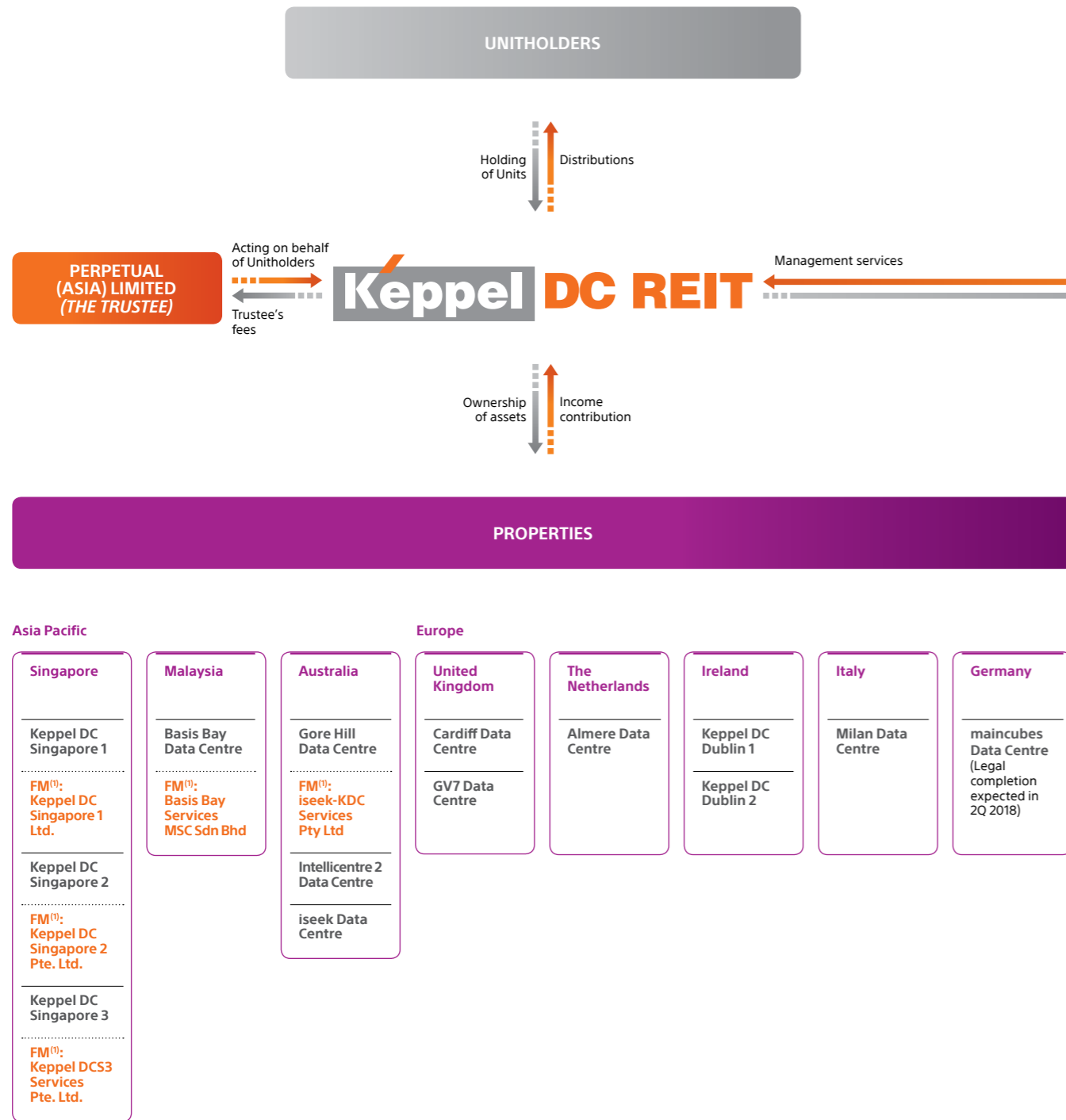
	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Total
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	\$'000
Gross Revenue									
2017	32,224	23%	34,515	25%	35,483	26%	36,828	26%	139,050
2016	24,771	25%	24,865	25%	22,663	23%	26,840	27%	99,139
Net Property Income									
2017	28,844	23%	31,363	25%	32,264	26%	32,648	26%	125,119
2016	21,186	23%	22,105	24%	22,703	25%	24,942	28%	90,936
Distributable Income									
2017	21,766 ⁽¹⁾	26%	20,130	24%	20,179	25%	20,245	25%	82,320
2016	14,747	24%	14,749	24%	16,782	28%	14,770	24%	61,048
DPU (cents)									
2017	1.89 ⁽¹⁾	27%	1.74	24%	1.74	24%	1.75	25%	7.12 ⁽²⁾
2016	1.67	27%	1.67	27%	1.49	24%	1.31	22%	6.14 ⁽³⁾

⁽¹⁾ Included a one-off capital distribution for the month of December 2016 recorded in 1Q 2017 in relation to the Keppel DC Singapore 3 acquisition.

⁽²⁾ The adjusted DPU for FY 2017 would be 6.97 cents after adjusting for the one-off capital distribution in relation to the Keppel DC Singapore 3 acquisition.

⁽³⁾ The adjusted DPU for FY 2016 would be 6.68 cents, after adjusting for the one-off net property tax refund recorded in 3Q 2016 and the impact of the pro-rata preferential offering in November 2016 in 3Q 2016 and 4Q 2016.

Trust and Organisation Structure



Note:
⁽¹⁾ The facility managers (FM) are appointed pursuant to the facility management agreements entered into for the respective properties.

Board of Directors

Board Committees

A

Audit and Risk Committee

E

Executive Committee


Mr Chan Hon Chew

age 52

**Chairman and
Non-Executive Director**

A E

Date of first appointment as a director:
18 November 2014

**Length of service as a director
(as at 31 December 2017):**
3 years 2 months

Board Committee(s) served on:
Chairman of Executive Committee;
Member of Audit and Risk Committee

Academic & Professional Qualification(s):
Bachelor of Accountancy (Honours), National
University of Singapore; CFA® Charterholder;
Member of the Institute of Chartered
Accountants Australia; Fellow Member
of the Institute of the Singapore Chartered
Accountants

Present Directorships (as at 1 January 2018):
Listed companies
Keppel Telecommunications & Transportation Ltd;
KrisEnergy Ltd

Other principal directorships
Keppel Land Limited; Keppel Infrastructure
Holdings Pte Ltd; Keppel Offshore & Marine Ltd;
Keppel Capital Holdings Pte 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 2013 to
31 December 2017):**
Tiger Airways Holdings Limited; Virgin Atlantic
Limited (Alternate Director); Virgin Atlantic
Airways Limited (Alternate Director); Virgin Travel
Group Limited (Alternate Director); Singapore
Aviation & General Insurance Company (Pte) Ltd;
RCMS Properties Private Limited

Others:
Member of the Singapore Accounting
Standards Council; Member of ISS Management
Board, Institute of Systems Science,
National University of Singapore

Mr Lee Chiang Huat

age 68

Independent Director

A

Date of first appointment as a director:
18 November 2014

**Length of service as a director
(as at 31 December 2017):**
3 years 2 months

Board Committee(s) served on:
Chairman of Audit and Risk Committee

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 2018):
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 2013 to
31 December 2017):**
Channoil Asia Pte Ltd

Others:
Former Chief Financial Officer, Singapore
Petroleum Company Limited;
Former Chief Financial Officer, NOR Offshore Ltd

**Mr Leong Weng Chee**

age 62

Independent Director**E**

Date of first appointment as a director:
18 November 2014

**Length of service as a director
(as at 31 December 2017):**
3 years 2 months

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

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 2018):
Listed companies
Nil

Other principal directorships
Nil

Major Appointments (other than directorships):
Nil

**Past Directorships held over the preceding
5 years (from 1 January 2013 to
31 December 2017):**
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 Dileep Nair**

age 67

Independent Director**A**

Date of first appointment as a director:
18 November 2014

**Length of service as a director
(as at 31 December 2017):**
3 years 2 months

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

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

Present Directorships (as at 1 January 2018):
Listed companies
Thakral Corporation Ltd; Singapore Reinsurance
Corporation Ltd

Other principal directorships
Agri-Food Veterinary Authority of Singapore;
Health Sciences Authority of Singapore

Major Appointments (other than directorships):
Nil

**Past Directorships held over the preceding
5 years (from 1 January 2013 to
31 December 2017):**
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 62

Independent Director

A

Date of first appointment as a director:
18 November 2014

**Length of service as a director
(as at 31 December 2017):**
3 years 2 months

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

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 2018):
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 2013 to
31 December 2017):**
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 56

Independent Director

E

Date of first appointment as a director:
18 November 2014

**Length of service as a director
(as at 31 December 2017):**
3 years 2 months

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

Academic & Professional Qualification(s):
Bachelor of Arts (Natural Science Tripos majoring
in Biochemistry), University of Cambridge;
Master of Science (Applied Molecular Biology
and Biotechnology), University of London;
PhD (Recombinant Chlamydial Vaccines),
University of Edinburgh

Present Directorships (as at 1 January 2018):
Listed companies
Nil

Other principal directorships
iGates Bioinnovation Pte Ltd; Knorex Pte Ltd

Major Appointments (other than directorships):
Chief Executive, National Supercomputing
Centre, Singapore; Chairman of A*STAR
Computational Resource Centre (ACRC);
Associate Professor, Department of Biochemistry,
National University of Singapore; Treasurer,
Association for Medical and Bio Informatics
Singapore (AMBIS); Senate Member,
Management Development Institute
of Singapore (MDIS)

**Past Directorships held over the preceding
5 years (from 1 January 2013 to
31 December 2017):**

Keppel Telecommunications & Transportation
Ltd; Asia Pacific Bioinformatics Network Ltd;

Others:

Internet Hall of Fame Inaugural Inductee 2012
of the Internet Society; 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, National
University of Singapore; Former Founding
Secretariat, Asia Pacific Bioinformatics
Network and International Conference
on Bioinformatics



Mr Thomas Pang Thieng Hwi | age 53

Non-Executive Director

Date of first appointment as a director:
18 November 2014

**Length of service as a director
(as at 31 December 2017):**
3 years 2 months

Board Committee(s) served on:
Nil

Academic & Professional Qualification(s):
Bachelor of Arts (Engineering, 2nd Upper Honours) and Master of Arts (Honorary Award), University of Cambridge

Present Directorships (as at 1 January 2018):
Listed companies
Keppel Telecommunications & Transportation Ltd;
SVOA Public Company Ltd

Other principal directorships
ADCFC Private Limited; Keppel Data Centres Pte Ltd; Keppel Data Centres Holding Pte Ltd; Keppel Logistics Pte Ltd; Keppel Capital Holdings Pte. Ltd.; Radiancance Communications Pte Ltd; Keppel Anhui Food Logistics Park Pte Ltd; Keppel Jilin Food Logistics Park Pte. Limited; Keppel Technology and Innovation Pte Ltd; Indo-Trans Keppel Logistics Vietnam Co. Ltd.; Asia Airfreight Terminal Company Limited; Computer Generated Solutions, Inc

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

Past Directorships held over the preceding 5 years (from 1 January 2013 to 31 December 2017):
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 52

Non-Executive Director

E

Date of first appointment as a director:
15 September 2016

**Length of service as a director
(as at 31 December 2017):**
1 year 4 months

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

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

Present Directorships (as at 1 January 2018):
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.

Past Directorships held over the preceding 5 years (from 1 January 2013 to 31 December 2017):
Various subsidiaries and associated companies of Alpha Investment Partners Limited and funds managed by Alpha Investment Partners Limited

Others:
Nil

Senior Management



Mr Chua Hsien Yang

age 40

Chief Executive Officer

Mr Chua has extensive experience in real estate funds management and the hospitality industries, with more than 16 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 Limited, 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 and 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 2018):
Various subsidiaries and associated companies of Keppel DC REIT

Past directorships held over the preceding 5 years (from 1 January 2013 to 31 December 2017):
Mirvac 8 Chifley Pty Limited; Mirvac (Old Treasury) Pty Limited



Ms Anthea Lee

age 44

Deputy Chief Executive Officer and Head of Investment

Ms Lee has more than 20 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 Limited, the manager of Keppel REIT, since the year of the listing of the REIT, managing regional investments and divestments.

Before joining the 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 the National University of Singapore and a Master of Science (International Construction Management) from Nanyang Technological University.

Present directorships (as at 1 January 2018):
Nil

Past directorships held over the preceding 5 years (from 1 January 2013 to 31 December 2017):
Nil

**Ms Chow Ching Sian**

age 39

Chief Financial Officer

Ms Chow has more than 17 years of experience in the areas of financial and management accounting, taxation, and audit.

Prior to joining the Manager, Ms Chow was Senior Vice President at Keppel Infrastructure Fund Management Pte. Ltd., the trustee-manager of Keppel Infrastructure Trust, since May 2016 and Vice President at Keppel REIT Management Limited, the manager of Keppel REIT, from December 2010. She assisted the respective Chief Financial Officers of Keppel Infrastructure Fund Management Pte. Ltd. and Keppel REIT Management Limited in financial and statutory reporting, management reporting and annual budgeting, as well as certain compliance matters. Ms Chow was also involved in various acquisitions, divestments, and fund-raising exercises.

Ms Chow started her career as an auditor with Deloitte & Touche LLP Singapore and held various finance positions in other listed corporations in Singapore before joining the Keppel Group.

Ms Chow holds a Bachelor of Accountancy Degree from the Nanyang Technological University of Singapore. She is a member of the Institute of Singapore Chartered Accountants.

Present directorships (as at 1 January 2018):

Various subsidiaries and associated companies of Keppel DC REIT

Past directorships held over the preceding 5 years (from 1 January 2013 to 31 December 2017):

Nil

**Ms Thng Bee Lay**

age 48

Head of Asset Management

Ms Thng has more than 20 years of experience in the real estate industry. As Head of Asset Management of the Manager, she is responsible for overseeing the asset performance for all the local and overseas properties of Keppel DC REIT.

Prior to this, Ms Thng oversaw the asset and lease management team at Ascendas Land. Her other positions held within Ascendas included the Lease Operations Department and AREIT Logistics & Distribution Centres Department at Ascendas Services. She has extensive experience in the management of industrial, science and business park development properties.

Before joining Ascendas Group, Ms Thng was with United Overseas Land Limited where she handled both sales and leasing of residential and commercial properties respectively.

Ms Thng holds a Bachelor of Business Administration degree and a Master of Science (Real Estate) from the National University of Singapore.

Present directorships (as at 1 January 2018):

Nil

Past directorships held over the preceding 5 years (from 1 January 2013 to 31 December 2017):

Nil

Significant Events

2017

Q1
Completed acquisition of a 90% interest in Keppel DC Singapore 3

Q2
Transitioned to 100% renewable energy supply at Keppel DC Dublin 1

Established \$500 million Multicurrency Medium Term Note Programme

Topped the Governance Index for Trusts, which was launched in 2017 and developed specifically for Singapore-listed REITs and business trusts

Q3
Acquired Keppel DC Dublin 2, the REIT's second colocation data centre in Dublin, Ireland

Ranked fifth in the REIT and business trust category of the Singapore Governance and Transparency Index 2017

Mr Lim Chin Hu stepped down as Independent Director of the Board

Q4
Completed refinancing of all loans that were maturing in 2018



1.
Keppel DC REIT transitioned to 100% renewable energy supply at Keppel DC Dublin 1.

2.
The Manager regularly engages with the investment community to communicate the REIT's business strategy and developments.

Investor Relations

Ongoing communication with the investment community is vital to the Manager's investor outreach efforts.

As part of its commitment towards good corporate governance, the Manager strives to maintain clear and timely communication with the investment community, and structures its investor relations (IR) programme for broad yet effective outreach.

Effective Outreach

The Manager regularly engages with the international investment community. In 2017, management engaged with a total of 292 local and foreign investors and analysts through meetings, conference calls, post-results engagements and site visits.

The Manager believes that effective investor outreach is essential to enhance investors' understanding of Keppel DC REIT's strategy, business developments and industry trends.

Apart from local roadshows and conferences, the Manager also participated in international meetings in Hong Kong, Tokyo, Seoul, London and New York in 2017. This allowed management to engage with global investors directly and understand their key concerns.

Proactive Communication

The IR team works closely with the Manager's finance, investment and asset management teams to communicate the REIT's business strategy and developments to institutional investors, retail Unitholders, financial analysts, potential investors and other external stakeholders.

Guided by a clearly defined set of principles and practices set out in its IR policy,

the Manager uses various communication channels in its outreach to the investment community to ensure effective communication. The IR policy, which is available on the REIT's corporate website, is reviewed regularly to ensure relevance and effectiveness.

Post-results teleconferences with analysts are held after the release of Keppel DC REIT's quarterly results announcements on the Singapore Exchange to discuss and address any queries on the REIT's developments.

The REIT's corporate website is promptly updated with the latest annual reports, financial and portfolio information, investor presentations and media releases to facilitate informed investment decision making by investors.

Email alerts are also available on the REIT's corporate website for investors who wish to receive prompt notifications of company announcements. The Manager also encourages two-way communication with the investment community by listing its investor relations contact on the corporate website and media releases.

Research Coverage

11 equity research houses provide research coverage on Keppel DC REIT as at 31 December 2017:

- CIMB
- Citi
- CLSA
- Credit Suisse
- DBS
- Deutsche Bank

- Goldman Sachs
- HSBC
- JP Morgan
- OCBC
- Phillip Capital

Value Creation

Keppel DC REIT continued to deliver value to its Unitholders amidst a volatile macroeconomic environment. The REIT's Unit price registered a gain of 20.7% during the year ended 31 December 2017 and total Unitholder return of 26.7%¹.

The REIT's total DPU declared for FY 2017 was 7.12 cents, higher than the 6.14 cents for FY 2016. Excluding the one-off capital distribution in relation to the Keppel DC Singapore 3 acquisition in FY 2017, the one-off net property tax refund recorded and the impact of the pro-rata preferential offering in FY 2016, the adjusted DPU for FY 2017 and FY 2016 would be 6.97 cents and 6.68 cents respectively.

Based on 2017's market closing price of \$1.430 per Unit, FY 2017 distribution yield was 4.98% while the adjusted distribution yield would have been 4.87%, higher than the corresponding period last year.

¹ Based on the Unit price returns and distributions declared for FY 2017.



Investor Relations

Investor Relations Calendar

Financial Year Ended 31 December 2017

Q1

4Q & FY 2016 results announcement and analysts teleconference

Post-results investors luncheon hosted by Credit Suisse

SGX-CLSA-REITAS S-REITS Corporate Day in Seoul

Distribution payout to Unitholders for 2H 2016

Q2

1Q 2017 results announcement and analysts teleconference

Post-results investors breakfast session hosted by CIMB

Convened Keppel DC REIT's 2nd Annual General Meeting

Citi ASEAN C-Suite Investor Conference in Singapore

dbAccess Asia Conference in Singapore

Q3

2Q & 1H 2017 results announcement and analysts teleconference

Post-results investors luncheon hosted by HSBC

SGX-Citi-REITAS C-Suite Singapore REITs & Sponsors Corporate Day in Singapore

Daiwa Pan Asia REIT Day in Tokyo

Bank of America Merrill Lynch Global Real Estate Conference in New York

Distribution payout to Unitholders for 1H 2017

Q4

3Q & 9M 2017 results announcement and analysts teleconference

Post-results investors luncheon hosted by JP Morgan

Morgan Stanley Asia Pacific Summit in Singapore

Non-deal roadshow in Hong Kong with Credit Suisse

Non-deal roadshow in London with UBS



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

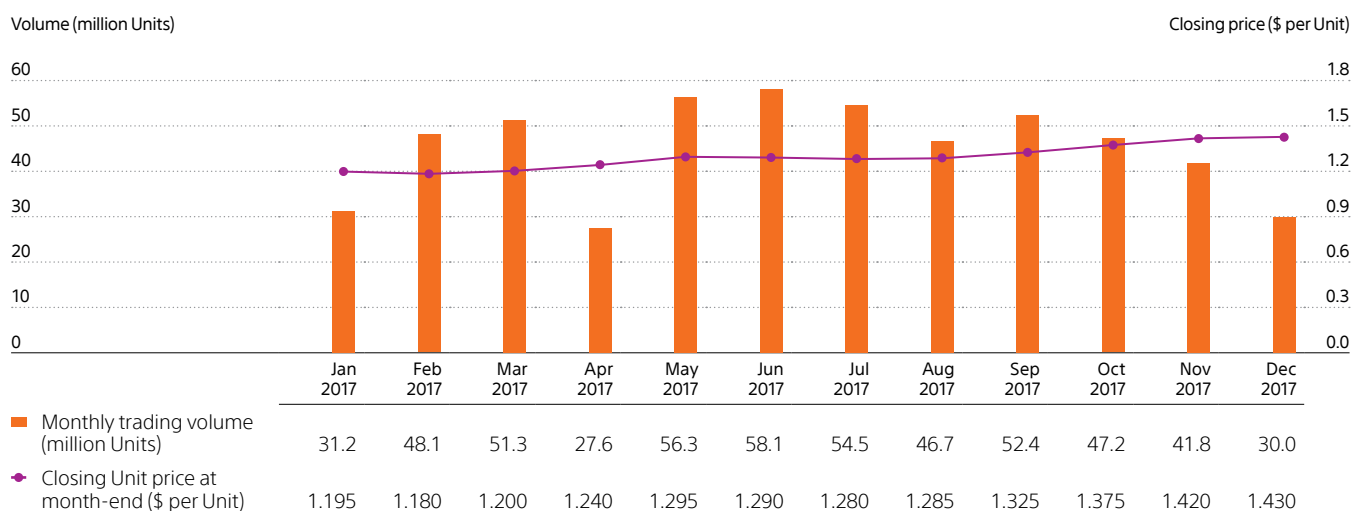
Telephone:
+65 6803 1649

Email:
investor.relations@keppeldcreit.com

Website:
www.keppeldcreit.com

Unit Price Performance

Monthly Trading Performance

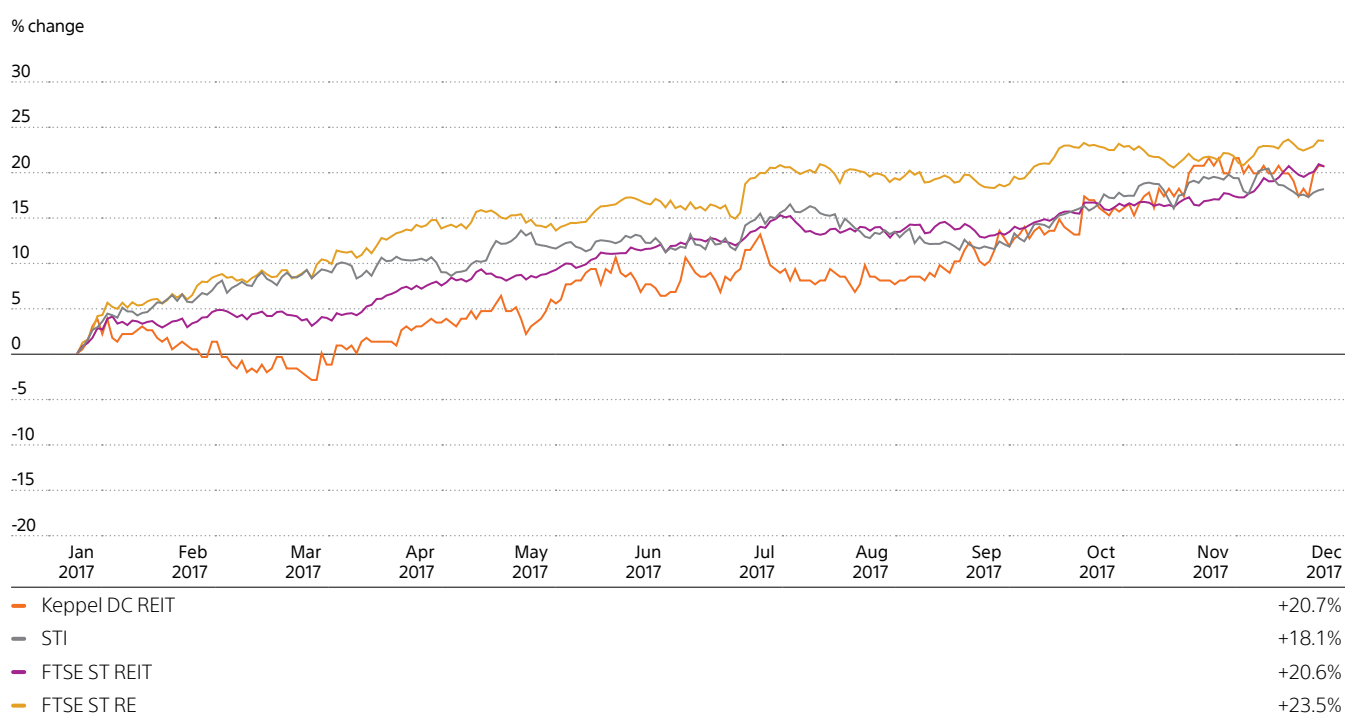


Unit Price Performance

	2017	2016
Highest closing price (\$ per Unit)	1.440	1.270
Lowest closing price (\$ per Unit)	1.150	0.960
Average closing price (\$ per Unit)	1.283	1.130
Closing price on last trading day (\$ per Unit)	1.430	1.185
Trading volume (million Units)	545.2	518.2

Unit Price Performance Against Indices

(for the period from 1 January 2017 to 31 December 2017)



Keppel DC REIT Around the World

Investing in the growth of the digital economy through a portfolio of data centres across Asia Pacific and Europe.

Assets Under Management⁽¹⁾

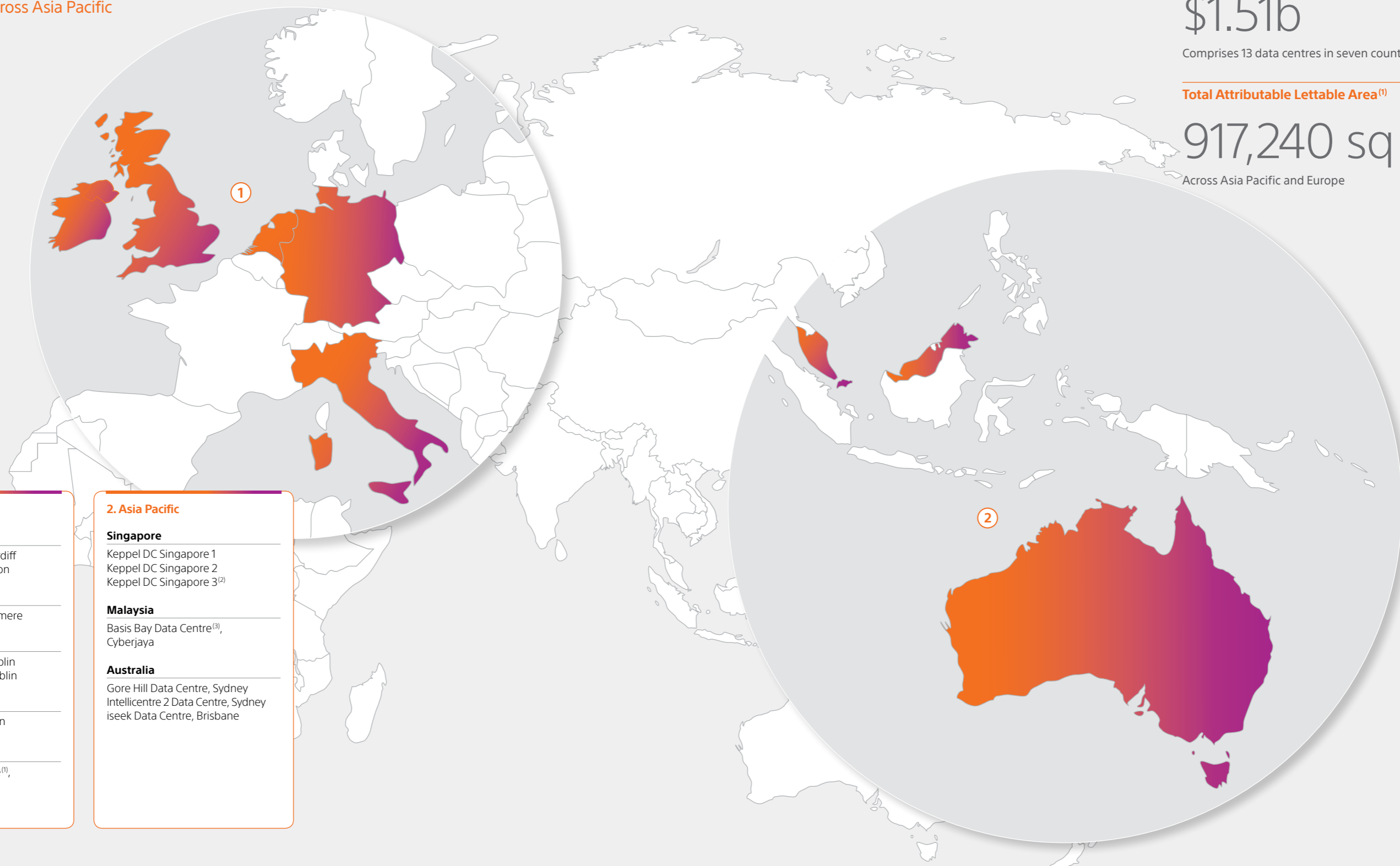
\$1.51b

Comprises 13 data centres in seven countries

Total Attributable Lettable Area⁽¹⁾

917,240 sq ft

Across Asia Pacific and Europe



1. Europe

United Kingdom
Cardiff Data Centre, Cardiff
GV7 Data Centre, London

The Netherlands
Almere Data Centre, Almere

Ireland
Keppel DC Dublin 1, Dublin
Keppel DC Dublin 2, Dublin

Italy
Milan Data Centre, Milan

Germany
maincubes Data Centre⁽¹⁾,
Offenbach am Main
(Under development)

2. Asia Pacific

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

Malaysia
Basis Bay Data Centre⁽³⁾,
Cyberjaya

Australia
Gore Hill Data Centre, Sydney
Intellcentre 2 Data Centre, Sydney
iseek Data Centre, Brisbane

Notes:
⁽¹⁾ Portfolio as at 31 December 2017 excluded maincubes Data Centre which is under development by the vendor and is expected to be legally completed in 2Q 2018.
⁽²⁾ The acquisition of a 90% interest in Keppel DC Singapore 3 was announced on 17 October 2016 and completed on 20 January 2017. Keppel Data Centres Holding Pte Ltd holds the remaining 10%.
⁽³⁾ 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

Top data centre markets will continue to see strong demand, driven by the move towards digitalisation and exponential growth of data and content.

Cloud Computing Growth

21%

Global cloud computing market expected to grow at a CAGR of 21% from 2015 to 2020.



New data centre demand in Singapore

10.3%

New data centre demand in Singapore is estimated to grow at a CAGR of 10.3% between 2015 and 2021.

The updates and forecasts within this report were prepared at end 2017 by 451 Research, an independent information technology (IT) research and advisory company. Within the report, 'colocation' refers to outsourced data centres where data centre services can be provided to single or multiple third parties, in the form of large long-term wholesale colocation leases or small retail colocation offerings.

Industry Overview

The global colocation industry remained healthy in 2017. The demand for leased data centre space is expected to remain strong for the foreseeable future. This can be attributed to the trend of enterprises moving towards digitalisation and outsourcing, along with the exponential growth of data and content.

Corporate uses of public cloud (infrastructure as a service), private cloud (dedicated hosting), and other elements of outsourcing are growing rapidly. The trend is transforming the hosting and data centre industries, creating strong demand for data centre space from cloud and service providers, as well as from enterprises themselves.

The global market for cloud computing as a service is expected to see a 21% compound annual growth rate (CAGR) from 2015 to 2020. The global market for data centre services is expected to grow at a 12% CAGR during the same period. Top cloud and IT service providers, such as Amazon, Microsoft, Google, Baidu, Alibaba and

Tencent have leased large amounts of data centre space around the world and will continue to do so to support their rapid growth.

Looking ahead, the exponential growth in the amount of data created from new technologies such as Internet-connected devices and 5G wireless networks, as well as data sovereignty regulations will drive demand for colocation space. These trends are also expected to fuel the need for colocation in fast-growing economic areas and smaller cities that are currently under-served by data centre providers.

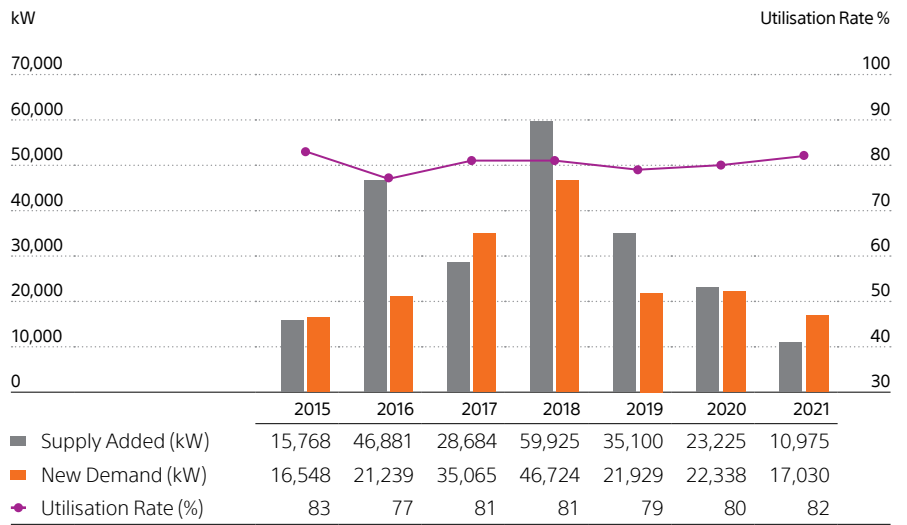
In addition, the top data centre markets, typically capital cities or telecommunications hubs near subsea cable landings, will continue to see strong demand. This is due to the networking and interconnection requirements of cloud, IT and software service providers, as well as the need to store and process data in close proximity to end users for minimal latency.

Although there have been cases of enterprises reducing their demand for colocation space and cloud providers opting to build rather than lease data centre facilities, cloud players still remain one of the largest and fastest growing client bases for colocation providers.

The following 10 cities are attractive data centre locations that are currently seeing healthy demand drivers.

There has been a surge in demand from media, content and mobile customers, particularly for large quantities of relatively high power density space.

Singapore Data Centre Supply/Demand/Utilisation



Singapore

Singapore is among the top data centre hubs in the world, with an active supply pipeline and strong demand from both local and international companies. It is a popular location for multinational firms to site their data centres due to factors such as Singapore’s legal system and enforcement, multilingualism, highly-educated workforce, stable government, robust connectivity and high-quality data centre facilities.

Historically, financial services firms have been the biggest drivers of demand in the market. However, in recent years, global cloud providers have leased large amounts of data centre space to serve users across Southeast Asia. There has also been a surge in demand from media, content and mobile

customers, particularly for large quantities of relatively high power density space. Demand from the manufacturing and pharmaceutical industries follow closely behind.

Singapore is a competitive market with large-scale newbuilds launched or planned by both established and new players. This activity uptick has exerted some price pressure in Singapore which is expected to continue into 2018 as more supply comes online. However, with demand remaining strong, prices are likely to stabilise towards the end of the year as the available space is filled.

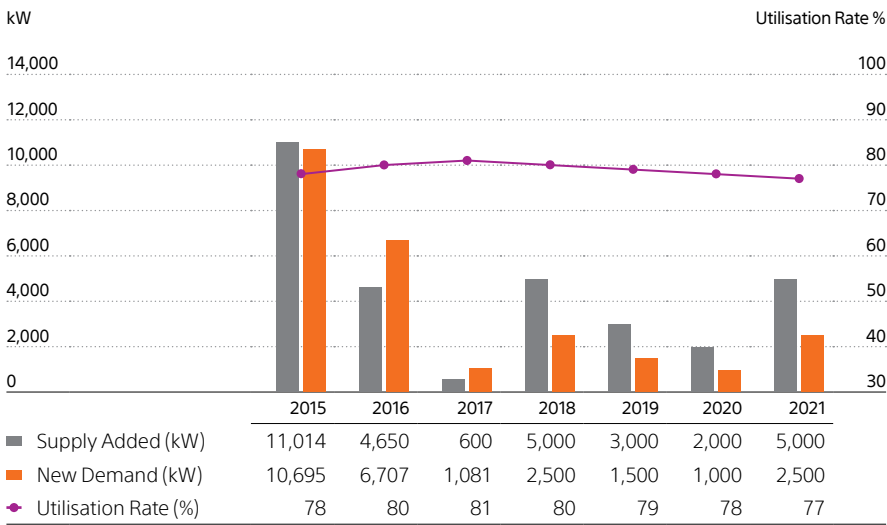
New demand in Singapore is estimated to grow at a CAGR of 10.3% between 2015 and 2021. The average utilisation rate was 81% at end 2017.



1. Singapore is an attractive data centre market with high-quality data centre facilities and connectivity.

Market Review

Cyberjaya Data Centre Supply/Demand/Utilisation



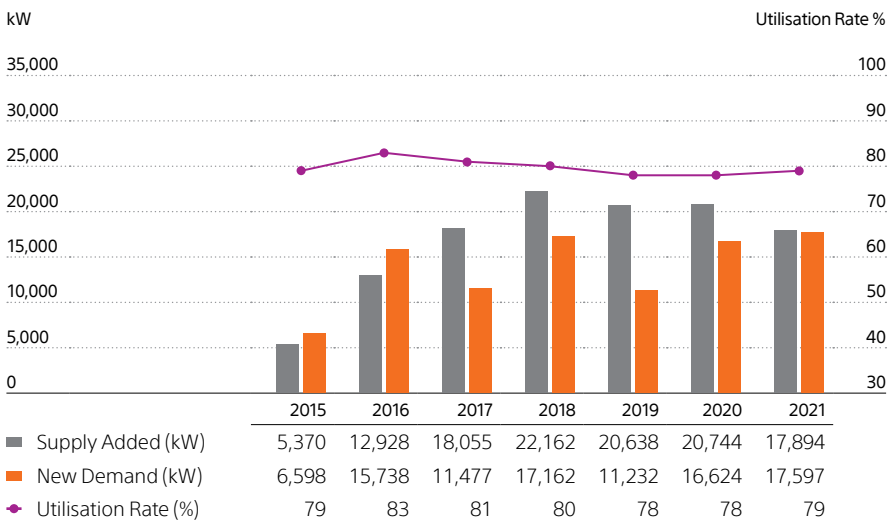
Cyberjaya, Malaysia

Cyberjaya is about 30km south of Kuala Lumpur and spans an area of about 28km². It is said to be the nucleus of the Multimedia Super Corridor (MSC), which hosts more than 2,000 companies providing technology, multimedia and communications products and services. Cyberjaya's lower cost of land, labour and power are some of the factors that attract companies seeking lower-cost options. The government is supportive of the data centre industry and has been working closely with industry players to ensure land and power availability for data centre development.

Notwithstanding the relatively large supply brought online in 2015, utilisation rates remain fairly healthy. Supply in Cyberjaya has moderated over the past two years as providers looked to fill the existing supply. Several providers have also focused on adding space outside of Kuala Lumpur.

Overall, new demand in Cyberjaya is projected to grow at a CAGR of 2.8% between 2015 and 2021. The average utilisation rate was 81% as at end 2017.

Sydney Data Centre Supply/Demand/Utilisation



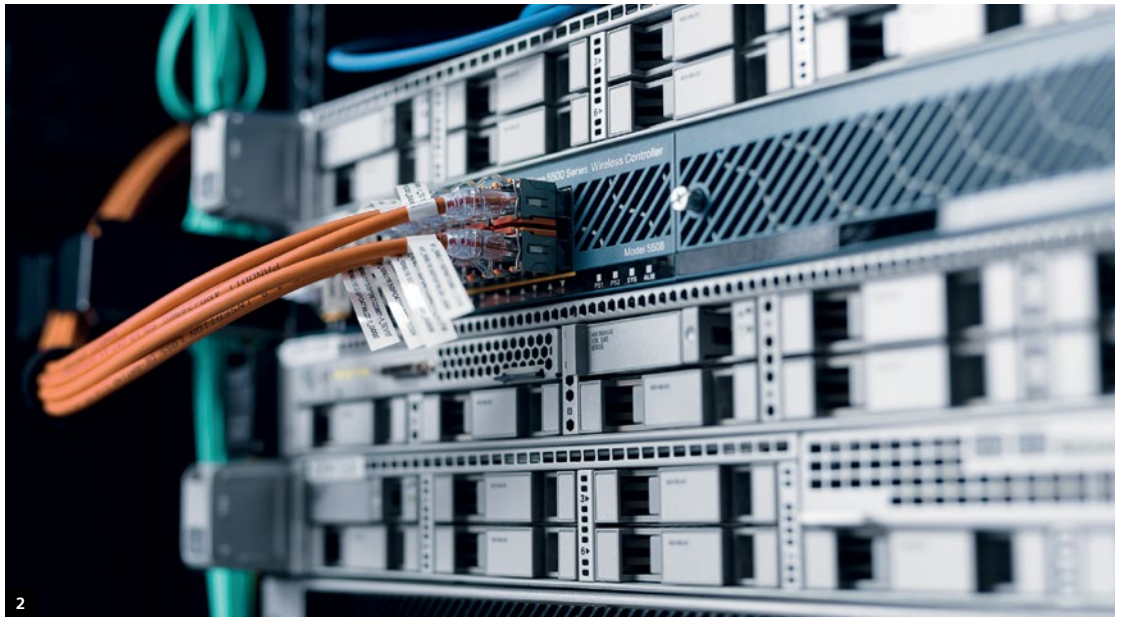
Sydney, Australia

Greater Sydney has the largest metropolitan population and the largest economy in Australia, generating about 24% of Australia's GDP¹. Therefore, Sydney enjoys healthy data centre demand due to its large number of end-users in addition to its relative lack of natural disasters and access to subsea cables. Furthermore, demand from Australian firms for local data centre services continues to be strong given data sovereignty rules in the country.

The strong presence of financial services organisations in Sydney is one of the city's primary drivers of demand. These organisations rely on low-latency connectivity within Australia and to global financial markets. Sydney also attracts multinational organisations across many industry verticals that require access to subsea cables and good connectivity. This includes global cloud providers which have shown strong demand for data centre services in Australia in recent years. There is also significant demand from both local and international companies that have multi-city Australian deployments. For example, a company based in Melbourne may have its primary data centre there, but will also maintain a small data centre presence in Sydney to provide international connectivity.



1. *The Malaysian government works closely with industry players to ensure land and power availability for data centre deployment.*
2. *Sydney attracts multinational organisations across many industry verticals that require good connectivity.*



Colocation continues to be highly competitive in Sydney, resulting in some pricing pressure for retail colocation providers. However, as the customer base matures, the focus has been shifting to other criteria beyond price, such as power density and quality of the facility.

Overall, new demand in Sydney is projected to grow at a CAGR of 10% between 2015 and 2021. The average utilisation rate was 81% as at end 2017.

Brisbane, Australia

Greater Brisbane is the closest Australian capital city to Asia on the eastern seaboard. It is the third-ranked business hub in Australia¹. Many major Australian companies and international companies have offices in the city. While serving primarily as a port city from Asia to Australia, Brisbane’s other top industries include financial services, technology and manufacturing.

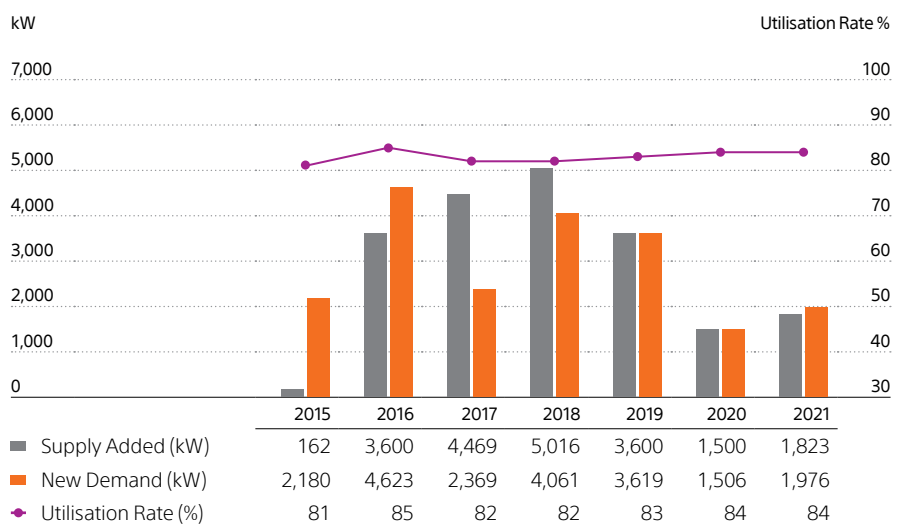
The data centre market in Brisbane has been driven by demand from local companies and government agencies as well as domestic companies looking for lower-cost alternatives to Sydney. Demand from other key verticals include information and communication technology, financial services, scientific innovation, creative industries, higher education, manufacturing, mining, logistics and distribution, oil and gas and aviation.

Cloud providers have also been strong drivers of data centre demand in Brisbane due to advanced cloud adoption rates in Australia.

Overall, new demand in Brisbane is projected to grow at a CAGR of 8.7% between 2015 and 2021. The average utilisation rate was 82% as at end 2017.

¹ Australian Bureau of Statistics and SGS Economics

Brisbane Data Centre Supply/Demand/Utilisation



Market Review

London, United Kingdom⁽¹⁾

London remains the largest data centre market in Europe, with more than five million square feet of supply. It is also home to the most mature adopters of enterprise cloud and other IT services. As a mature data centre hub, many data centre providers have continued to innovate, either with connectivity-led services, or with differentiated types of space, such as high power density.

As Brexit unfolds, some international enterprises and service providers may choose to relocate some of their data centre deployments to the other parts of Europe while European operators may seek a presence in the UK. Increasing local demand on the back of enterprises' ongoing digital transformation is likely to contribute to continued high demand.

Locating sites ideal for newbuild or retrofit activity has become increasingly challenging. The popular data centre hub of Slough to the West of London, which now has comparable pricing and connectivity to London's Docklands, one of the most connected locations in the world, is running out of capacity for new data centres. This is pushing providers to surrounding locations as well as to the East of London, where available land is opening up opportunities for new campus builds.

Overall, new demand in London is projected to grow at a CAGR of 10.6% between 2015 and 2021. The average utilisation rate was 66% as at end 2017.

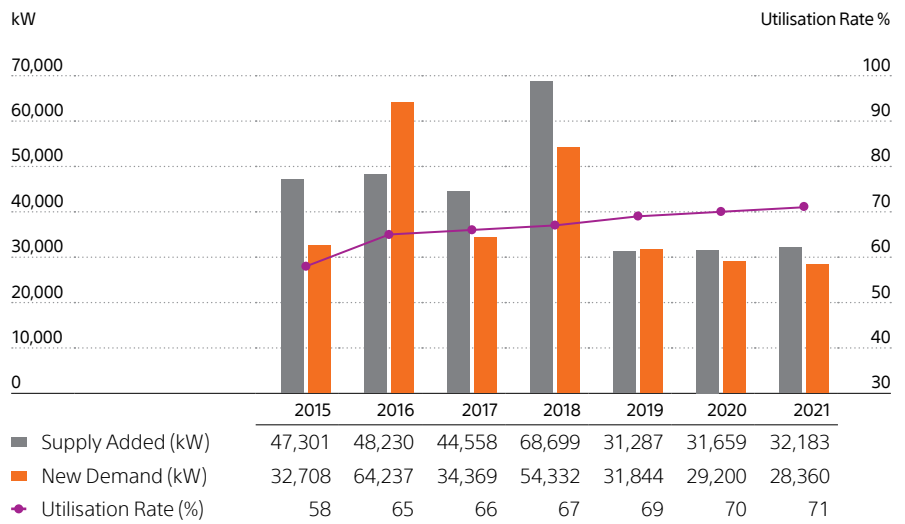
Cardiff, United Kingdom⁽²⁾

The Welsh capital of Cardiff is the closest capital city to London, being 244km away. It has been viewed as an ideal location for disaster recovery data centre operations. The city has a small population of less than 400,000, but is close to Bristol, which has a population of around 500,000. Together, these cities serve the communications and data requirements of a large part of the UK's Southwest.

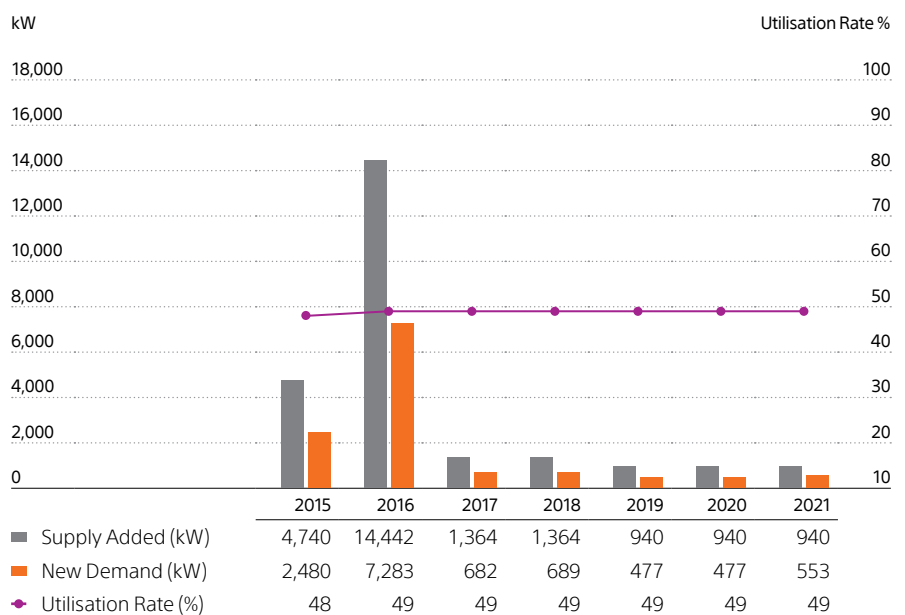
Lying just outside of Cardiff is Newport, which has attracted a number of well-known telecommunications operators, systems integrators and more recently, large cloud providers.



London Data Centre Supply/Demand/Utilisation⁽¹⁾



Cardiff Data Centre Supply/Demand/Utilisation⁽²⁾



⁽¹⁾ 451 Research's coverage of London includes data centres within 80km of London.
⁽²⁾ 451 Research's coverage of the Cardiff market includes data from Cardiff as well as the surrounding cities of Newport and Bristol. Coverage also includes data from both wholesale and retail colocation data centres.

Over time, Cardiff may see more interest on the back of demand for subsea cable connectivity across to Ireland, which will remain a part of the EU post-Brexit. Existing cables already offer connectivity through the Bristol Channel connecting the region to Ireland, to the US via the North Atlantic and to Portugal. Survey work for a new subsea cable to Ireland is expected to be undertaken in 2019.

Cities in South Wales are keen to promote the region as a growing digital hub. Cardiff has its own Internet Exchange, Cardiff-IX, operated by the London Internet Exchange (LINX) and currently serving mostly local traffic. Digital traffic is also growing, with a number of large companies leveraging the region for new call centres and distribution centres. Some providers have also carried out power upgrades and expansions in recent years.

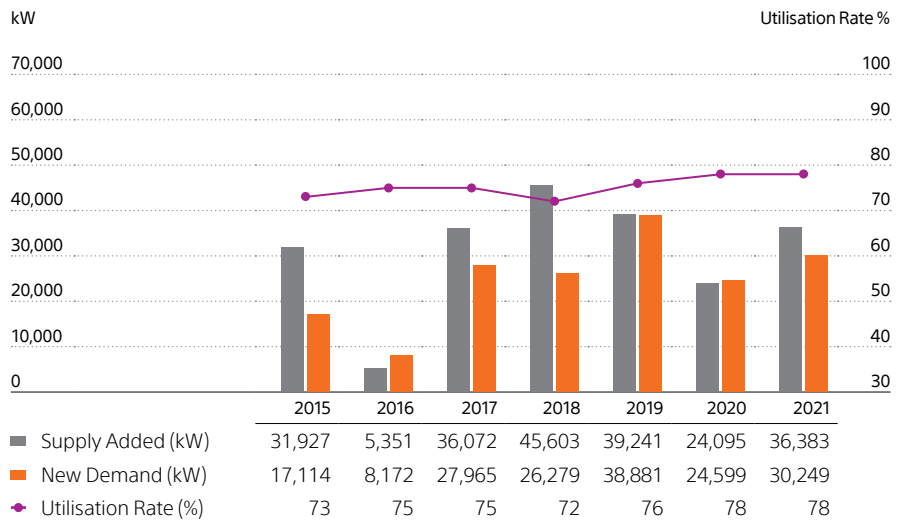
Overall, new demand in Cardiff is projected to grow at a CAGR of 8.3% between 2015 and 2021. The average utilisation rate was 49% as at end 2017.

Amsterdam, The Netherlands

Amsterdam is the fourth largest data centre market in Europe. While the city is home to a number of multinational enterprises, the market’s connectivity to other regions across Europe and to the US drives much of its demand. As a result, a large number of providers in the area offer carrier choice and interconnection options.

Much of Amsterdam’s recent demand has come from hyper-scale cloud providers, many of which have large estates to serve users across Europe.

Amsterdam Data Centre Supply/Demand/Utilisation



This has driven wholesale demand and placed an emphasis on rapid time-to-market for data centre developments.

Media and gaming content providers have also leveraged Amsterdam’s connectivity options and helped to drive the success of AMS-IX, the Amsterdam-based Internet Exchange, which competes with Frankfurt’s Deutscher Commercial Internet Exchange (DE-CIX) for European peering activity.

Overall, new demand in Amsterdam is projected to grow at a CAGR of 13.9% between 2015 and 2021. The average utilisation rate was 75% as at end 2017.

1. London remains the largest data centre market in Europe that is home to the most mature adopters of enterprise cloud and other IT services.
2. As the closest capital city to London, Cardiff is viewed as an ideal location for disaster recovery data centre operations.



Market Review



Dublin, Ireland

Dublin is emerging as one of the key data centre markets in Europe. It serves an international customer base, with particularly strong demand coming from hyper-scale cloud providers and US-based enterprises seeking entry into the European market.

The market's main advantages include its educated workforce as well as a pro-business and English-speaking environment. Ireland will remain part of the European Union post-Brexit, with a Common Law approach similar to that of the UK and US. These factors mean that Dublin is likely to benefit from a potential increase in data storage requirements within the EU in the event of Brexit.

The market does have its challenges – the largest being access to power. Ireland's power distribution networks will have to keep up with the requirements of a growing data centre industry. The market's power infrastructure will likely require significant investment to fulfill large-scale demand.

Overall, new demand in Dublin is projected to grow at a CAGR of 7.8% between 2015 and 2021. The average utilisation rate was 72% as at end 2017.

Frankfurt, Germany⁽³⁾

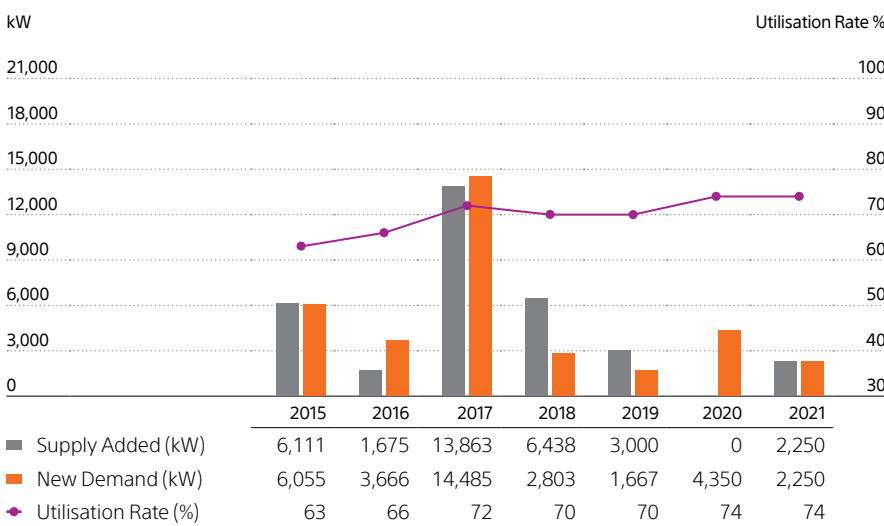
Frankfurt has been one of the fastest growing data centre markets in Europe over the last two years, with high demand from hyper-scale cloud providers, managed service providers and others seeking to serve the growing German economy. German businesses, while slow to move to the cloud, are starting to leverage cloud technologies. The country also takes a protectionist view to data and privacy, driving demand for in-country data storage and localised services.

As a precaution against uncertainties arising from Brexit, a number of financial services and trading firms have opted to expand into Frankfurt. Brexit is predicted to further increase data centre demand over time. In addition, German data centres are seeing a new wave of interest from Asian cloud providers seeking to establish a foothold in Europe.

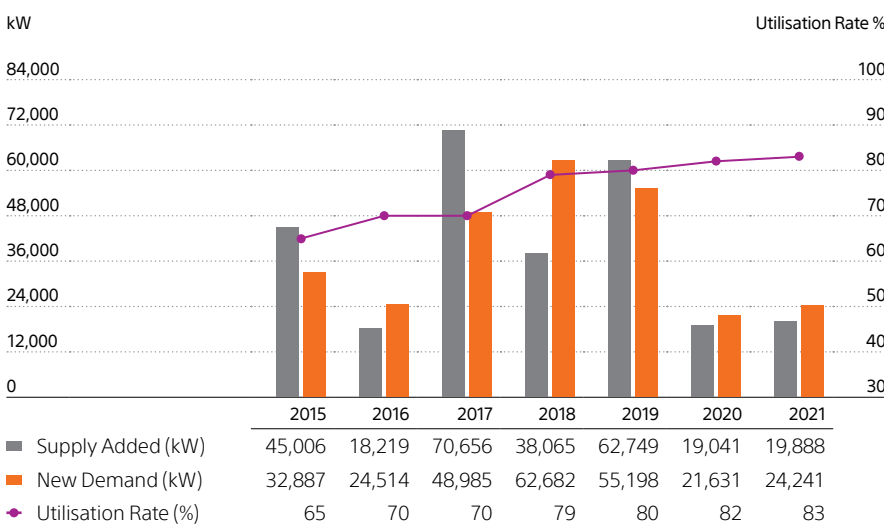
Land availability remains an issue in Frankfurt, in addition to high power costs which are a result of Germany leveraging energy taxes to build out new energy infrastructure. However, Frankfurt is

⁽³⁾ 451 Research's coverage of Frankfurt includes data centres within 40km of Frankfurt.

Dublin Data Centre Supply/Demand/Utilisation



Frankfurt Data Centre Supply/Demand/Utilisation⁽³⁾



Germany’s most well-connected location. The DE-CIX exchange has flourished in the market, helping to attract customers from across Europe. Stricter regulations and strong demand amid limited supply have also helped Frankfurt providers benefit from higher wholesale pricing relative to other European markets.

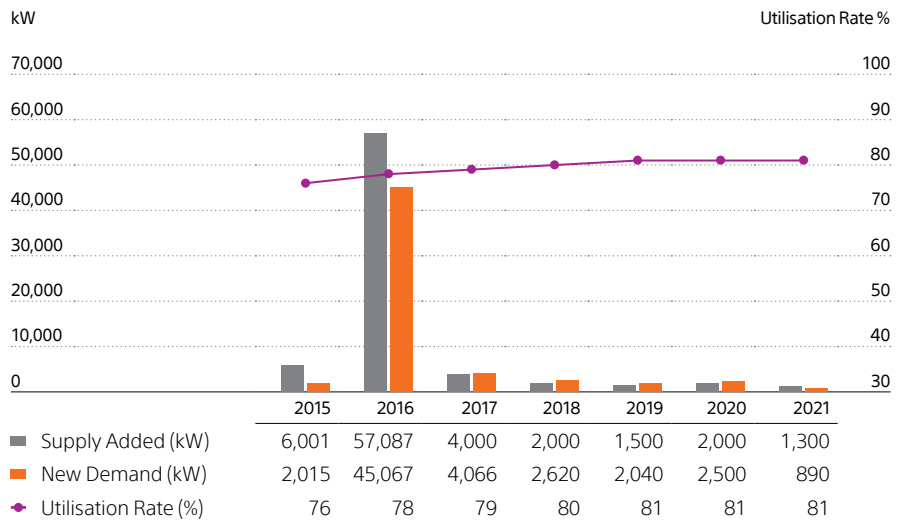
Overall, new demand in Frankfurt is projected to grow at a CAGR of 15.9% between 2015 and 2021. The average utilisation rate was 70% as at end 2017.

Milan, Italy

Milan is home to the Milan Internet Exchange, which sees the highest traffic of Italy’s six internet exchanges. The city has been the first choice for companies seeking colocation space in Italy, well ahead of other Italian cities, like Rome and Sicily, due to recent subsea cable investments and growing requirements for edge content delivery. The Milan market for data centre providers has traditionally focused on local customers, most of which are small to medium-sized enterprises that are increasingly seeking avenues for global expansion. They are largely served by retail colocation providers.

A new wave of demand in Milan is rising from international banking, finance, insurance and other enterprise customers, as well as large cloud providers, systems integrators and software providers seeking to deploy in the area. They are drawn by the increased popularity of cloud services among Italian enterprises, as well as the growing requirements to store data locally in response to concerns around the incoming European General Data Protection Regulation, which will come into force in May 2018.

Milan Data Centre Supply/Demand/Utilisation



In the past few years, wholesale providers have launched the largest amount of new space with international providers opening new campus builds in Milan. Telecommunication providers also bring data centre customers into the market as part of network service packages. Some operators looking to introduce cloud marketplaces also open up more avenues for cloud connectivity.

Overall, new demand in Milan is projected to grow at a CAGR of 18.6% between 2015 and 2021. The average utilisation rate was 79% as at end 2017.

1. *Dublin is well-positioned to benefit from a potential increase in data storage requirements within the EU.*
2. *Frankfurt is one of the fastest growing data centre markets in Europe over the last two years with high demand from hyper-scale cloud providers, managed service providers and others.*



Portfolio Review

Overview

Keppel DC REIT successfully completed two accretive acquisitions that complement the portfolio and enhance total returns to Unitholders.

Assets Under Management (AUM)

▲ 25.8%

\$1.51b

From \$1.20b in 2016

Total Attributable Lettable Area¹

▲ 8.9%

917,240 sq ft

From 842,597 sq ft in 2016



Weighted Average Lease Expiry (WALE)

9.1 years

Long portfolio WALE provides income stability for the REIT.

Portfolio Occupancy

92.6%

Keppel DC REIT's portfolio occupancy remained healthy in 2017.

Sustained Growth Momentum

During the year, Keppel DC REIT continued to seek growth opportunities across Asia Pacific and Europe. In 2017, Keppel DC REIT successfully acquired two quality income-producing data centres that complement the portfolio and enhanced total returns to Unitholders.

In January 2017, Keppel DC REIT completed the acquisition of a 90% interest in KDC SGP 3, strengthening its foothold in Singapore, a key data centre hub in Asia. The facility is a five-storey carrier-neutral data centre with an attributable lettable area of 49,433 sq ft and is fully-leased to two well-established clients. It was the first data centre in Singapore to achieve the BCA-IMDA Green Mark for Data Centres Platinum Award in 2014, the highest green accolade from the Building and Construction Authority of Singapore and the Info-communications Media Development Authority of Singapore.

In September 2017, Keppel DC REIT announced the acquisition of its second data centre, KDC DUB 2, formerly B10 Data Centre, in Dublin, Ireland, at an agreed value of €66.0 million. The facility is an energy-efficient carrier-neutral colocation data centre, offering 25,200 sq ft of attributable lettable area. It is located within the Ballycoolin Business and Technology Park in Dublin, approximately 12km from the Dublin city centre, and is well served by

major transportation modes. It is leased to leading global internet enterprise, IT services and telecommunications clients, with a long weighted average lease expiry (WALE) of 10.7 years.

Both acquisitions further strengthened Keppel DC REIT's presence in the two key data centre hubs in Asia Pacific and Europe, and enhanced the portfolio's income resilience.

The development of maincubes Data Centre is close to completion in Offenbach am Main, Germany, and is expected to be handed over in 2Q 2018. Upon legal completion, the 15-year triple-net master lease agreement will commence and contribute to Keppel DC REIT's earnings. The €84.0 million four-storey fully fitted data centre will have a total attributable lettable area of approximately 126,800 sq ft.

Strong Portfolio Diversity^{2,3}

As at 31 December 2017, Keppel DC REIT had approximately \$1.51 billion of assets under management (AUM), comprising 13 assets (excluding maincubes Data Centre) with a total attributable lettable area of close to 920,000 sq ft across Asia Pacific and Europe. Portfolio AUM will increase to approximately \$1.65 billion with the inclusion of maincubes Data Centre after its legal completion.

The REIT's portfolio has a good mix of master-leased facilities with stable long leases, as well as colocation facilities

comprising diversified clients with shorter and staggered lease expiries.

In December 2017, colocation assets contributed approximately 76.4% of Keppel DC REIT's rental income while fully fitted assets and shell and core assets accounted for approximately 23.6%.

Wide Geographical Reach^{2,3}

As at end 2017, Keppel DC REIT's 13 assets spanned nine cities in seven countries, across Asia Pacific and Europe.

65.8% of Keppel DC REIT's portfolio AUM is in Asia Pacific, comprising three assets in Singapore and one asset in Malaysia representing about \$706.5 million or 46.7% of the AUM, as well as three assets in Australia at approximately \$289.4 million or 19.1% of the AUM. Keppel DC REIT also owns six assets in Europe at approximately \$518.5 million or 34.2% of the AUM.

In terms of attributable lettable area, 47.6% of Keppel DC REIT's portfolio is in Asia Pacific. Keppel DC REIT's four assets in Asia constituted 244,445 sq ft of attributable lettable area (26.7% of the portfolio) while its three Australian assets had 191,274 sq ft of attributable lettable area (20.9% of the portfolio). The REIT's remaining six assets in Europe had 481,521 sq ft of attributable lettable area (52.4% of the portfolio).

- ¹ Total attributable lettable area is aggregated based on respective ownership interests of assets.
² All figures are as at 31 December 2017 and exclude maincubes Data Centre.
³ Based on exchange rates of \$1.00 = A\$0.980, \$1.00 = £0.549, \$1.00 = RM3.030, \$1.00 = €0.623 as at 31 December 2017.

Portfolio Glossary

Keppel DC Singapore 1	KDC SGP 1
Keppel DC Singapore 2	KDC SGP 2
Keppel DC Singapore 3	KDC SGP 3
Basis Bay Data Centre	Basis Bay DC
Gore Hill Data Centre	Gore Hill DC
Intellencentre 2 Data Centre	IC2 DC
iseek Data Centre	iseek DC
Cardiff Data Centre	Cardiff DC
GV7 Data Centre	GV7 DC
Almere Data Centre	Almere DC
Keppel DC Dublin 1	KDC DUB 1
Keppel DC Dublin 2	KDC DUB 2
Milan Data Centre	Milan DC

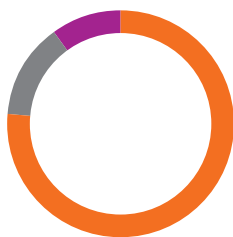
Portfolio Statistics

	As at 31 December 2017	As at 31 December 2016
Attributable Lettable Area ⁽¹⁾	917,240 sq ft	842,597 sq ft
Valuation	\$1.51 billion	\$1.20 billion
Number of Clients ⁽²⁾	44	41
Occupancy	92.6%	94.4%
WALE	9.1 years	9.6 years

⁽¹⁾ Total attributable lettable area is aggregated based on respective ownership interests of assets.

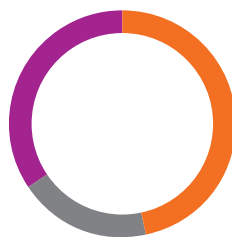
⁽²⁾ Clients refer to those contracted under service level agreements with Keppel DC REIT and/or its subsidiaries with the exceptions of KDC SGP 1, KDC SGP 2 and KDC SGP 3 where clients refer to those who contracted with Keppel DC Singapore 1 Ltd., Keppel DC Singapore 2 Pte. Ltd. and Keppel DCS3 Services Pte. Ltd. respectively. Clients which are in multiple data centres are only accounted for once.

Rental Income⁽¹⁾ Breakdown by Lease Type (%) (for December 2017)



Colocation	76.4
Fully Fitted	13.7
Shell and Core	9.9
Total	100

Portfolio AUM⁽¹⁾ by Geography (%) (as at 31 December 2017)



Asia	46.7
Australia	19.1
Europe	34.2
Total	100

Total Attributable Lettable Area by Geography (%) (as at 31 December 2017)



Asia	26.7
Australia	20.9
Europe	52.4
Total	100

⁽¹⁾ Excludes maincubes Data Centre and based on exchange rates of \$1.00 = A\$0.980, \$1.00 = £0.549, \$1.00 = RM3.030, \$1.00 = €0.623 as at 31 December 2017.

Portfolio Review

Keppel DC REIT's lease expiry profile was well-staggered with less than 5% of the portfolio's total attributable lettable area up for renewal in each year over the next three years.

Established Global Clientele

The Manager adopts a proactive leasing strategy and engages with existing and prospective clients to understand their business requirements. Keppel DC REIT's portfolio of quality data centres caters to the stringent requirements of clients from the internet enterprise, telecommunications, information technology (IT) services and financial services sectors.

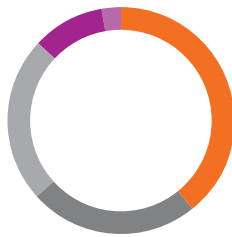
As at 31 December 2017, Keppel DC REIT's portfolio occupancy rate remained healthy at 92.6%. Out of the 13 assets

in Keppel DC REIT's portfolio, nine assets were fully leased.

Apart from having diversified income streams from its different assets, Keppel DC REIT derives its income from a diverse mix of clients⁴ across various trade sectors. For December 2017, the internet enterprise industry was the largest source of Keppel DC REIT's rental income at about 39.4% while clients from the telecommunications, IT services, financial services and corporate sectors contributed 24.1%, 23.7%, 10.2% and 2.6% respectively.

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

(for December 2017)



● Internet Enterprise	39.4
● Telecommunications	24.1
● IT Services	23.7
● Financial Services	10.2
● Corporate	2.6
Total	100

Top 10 Clients⁽¹⁾⁽²⁾ by Rental Income (%)

(for December 2017)

Internet Enterprise	34.2
IT Services	10.4
Telecommunications	8.4
Telecommunications	6.4
Internet Enterprise	5.0
Financial Services	4.8
IT Services	3.6
Telecommunications	3.3
IT Services	3.3
Telecommunications	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 relevant data centre.

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



1. Portfolio WALE remained long at 9.1 years as at 31 December 2017, providing strong income stability and visibility for the REIT.

The top ten clients⁴ in Keppel DC REIT's portfolio based on rental income are primarily from the internet enterprise, telecommunications and IT services industries.

Long Portfolio WALE

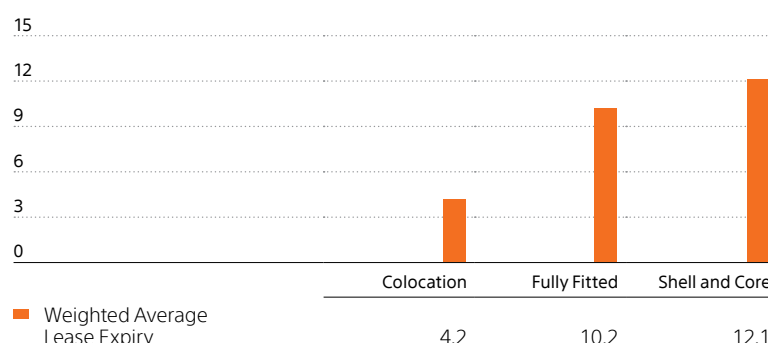
As at 31 December 2017, portfolio WALE remained long at 9.1 years, providing strong income stability and visibility for the REIT. The portfolio comprises different lease types with diverse lease expiries. The WALE of the colocation, fully fitted as well as shell and core assets are 4.2 years, 10.2 years and 12.1 years respectively.

In 2017, the WALE of new leases, including that of KDC SGP 3 and KDC DUB 2 acquired during the year, was 6.4 years. These leases contributed 25.3% of Keppel DC REIT's rental income in December 2017.

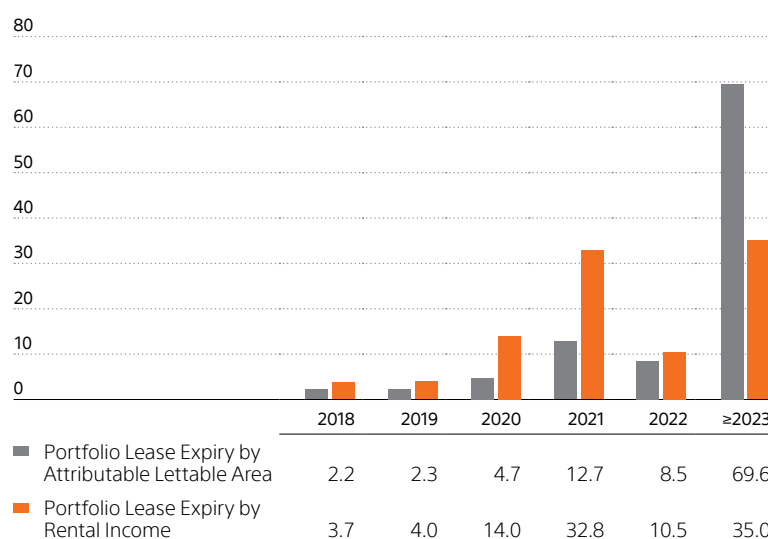
Keppel DC REIT's lease expiry profile was also well staggered with 69.6% of the portfolio's attributable lettable area having more than five years to expiry as at 31 December 2017. Over the next three years, less than 5% of the portfolio's attributable lettable area and 14% of the portfolio's rental income are up for renewal in each year.

⁴ 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, KDC SGP 2 and 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. Clients which are in multiple data centres are only accounted for once.

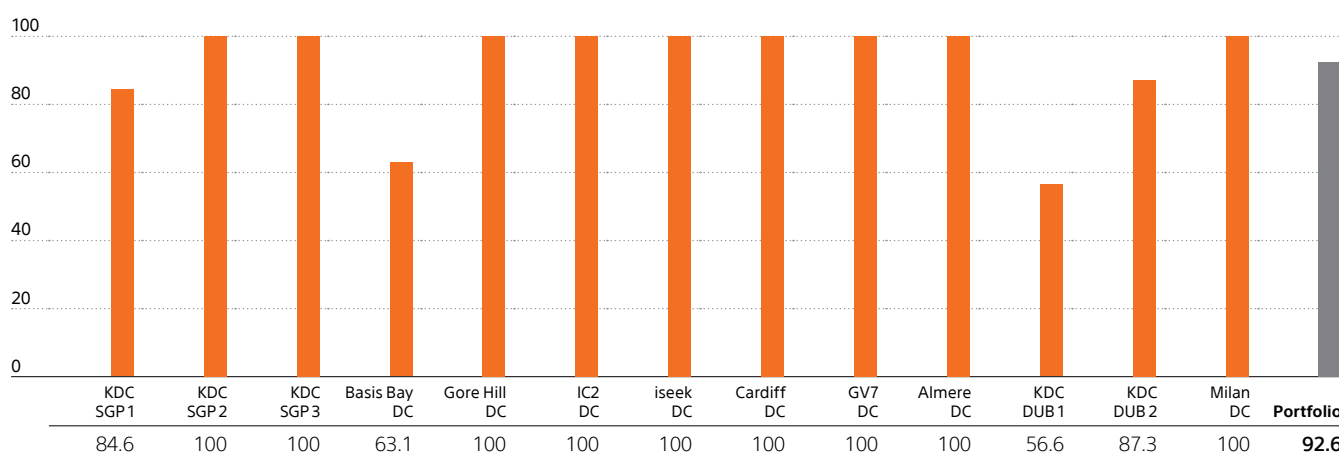
Breakdown of Weighted Average Lease Expiry by Lease Type (years) (as at 31 December 2017)



Portfolio Lease Expiry Profile (%) (as at 31 December 2017)



Occupancy Rates (%) (as at 31 December 2017)



Portfolio Review

Property Portfolio at a Glance


(as at 31 December 2017)

Asia Pacific

Keppel DC Singapore 1	Keppel DC Singapore 2	Keppel DC Singapore 3	Basis Bay Data Centre	Gore Hill Data Centre	Intellicentre 2 Data Centre	iseek Data Centre
						
Address 25 Serangoon North Avenue 5, Singapore 554914	Address 25 Tampines Street 92, Singapore 528877	Address 27 Tampines Street 92, Singapore 528878	Address No. 4710, Jalan Cyber Point 5, Zone Flagship Cyberjaya 63000 Cyberjaya, Selangor Darul Ehsan, Malaysia	Address 5 Broadcast Way (South Gate) Artarmon, New South Wales 2064, Australia	Address 17-23 Talavera Road, Macquarie Park, New South Wales 2113, Australia	Address 2 Cycas Lane, Brisbane Airport, Queensland 4009, Australia
Land Title Leasehold (Expiring 30 September 2025, with option to extend by 30 years)	Land Title Leasehold (Expiring 31 July 2021, with option to extend by 30 years)	Land Title Leasehold (Expiring 31 January 2022, with option to extend by 30 years)	Land Title Freehold	Land Title Freehold	Land Title Freehold	Land Title Leasehold (Expiring 29 June 2040, with an option to extend by 7 years)
Ownership Interest 100%	Ownership Interest 100%	Ownership Interest 90%	Ownership Interest 99%	Ownership Interest 100%	Ownership Interest 100%	Ownership Interest 100%
Land Area (sq ft) 78,928	Land Area (sq ft) 53,821	Land Area (sq ft) 53,815	Land Area (sq ft) 64,809	Land Area (sq ft) 72,032	Land Area (sq ft) 215,612	Land Area (sq ft) 41,559
Gross Floor Area (sq ft) 225,945	Gross Floor Area (sq ft) 106,726	Gross Floor Area (sq ft) 133,878	Gross Floor Area (sq ft) 88,600	Gross Floor Area (sq ft) 127,283	Gross Floor Area (sq ft) -	Gross Floor Area (sq ft) 28,955
Attributable Lettable Area (sq ft) 109,721	Attributable Lettable Area (sq ft) 37,098	Attributable Lettable Area (sq ft) 49,433 ⁽⁵⁾	Attributable Lettable Area (sq ft) 48,193 ⁽⁵⁾	Attributable Lettable Area (sq ft) 90,955	Attributable Lettable Area (sq ft) 87,930	Attributable Lettable Area (sq ft) 12,389
Number of Clients⁽¹⁾ 17	Number of Clients⁽¹⁾ 4	Number of Clients⁽¹⁾ 2	Number of Clients⁽¹⁾ 1	Number of Clients⁽¹⁾ 3	Number of Clients⁽¹⁾ 1	Number of Clients⁽¹⁾ 1
Lease Type Keppel lease / Colocation	Lease Type Keppel lease / Colocation	Lease Type Keppel lease / Colocation	Lease Type Colocation	Lease Type Triple-net lease (Shell and core) and Colocation	Lease Type Triple-net lease (Shell and core)	Lease Type Double-net lease (Fully fitted)
Facility Manager Keppel DC Singapore 1 Ltd. ⁽²⁾	Facility Manager Keppel DC Singapore 2 Pte. Ltd. ⁽⁴⁾	Facility Manager Keppel DCS3 Services Pte. Ltd. ⁽⁶⁾	Facility Manager Basis Bay Services MSC Sdn Bhd	Facility Manager iseek-KDC Services Pty Limited ⁽⁷⁾	Facility Manager -	Facility Manager -
Occupancy Rate 84.6%	Occupancy Rate 100%	Occupancy Rate 100%	Occupancy Rate 63.1%	Occupancy Rate 100%	Occupancy Rate 100%	Occupancy Rate 100%
Valuation⁽³⁾ (\$mil) 286.0	Valuation⁽³⁾ (\$mil) 166.0	Valuation⁽³⁾ (\$mil) 223.5	Valuation⁽³⁾ (\$mil) 31.0	Valuation⁽³⁾ (\$mil) 204.0	Valuation⁽³⁾ (\$mil) 51.3	Valuation⁽³⁾ (\$mil) 34.2

Notes:
⁽¹⁾ Certain clients have signed more than one colocation arrangement using multiple entities. Clients refer to those contracted under service level agreements with Keppel DC REIT and / or its subsidiaries with the exceptions of KDC SGP 1, KDC SGP 2 and 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 and 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 2017. Excludes maincubes Data Centre of which the purchase price is stated. Based on exchange rates of \$1.00 = A\$0.980, \$1.00 = £0.549, \$1.00 = RM3.030, \$1.00 = €0.623 as at 31 December 2017.
⁽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

Cardiff Data Centre	GV7 Data Centre	Almere Data Centre	Keppel DC Dublin 1	Keppel DC Dublin 2 (Formerly B10 Data Centre)	Milan Data Centre	maincubes Data Centre (Under development)
						
Address Ty Cynnal, Dunleavy Drive, Celtic Gateway, Cardiff CF110SW, United Kingdom	Address 7 Greenwich View Place, Millharbour Road, London E14 9NN, United Kingdom	Address Rondebeltweg 62 'Sallandsekant' Business Park, Almere, the Netherlands	Address Unit 4033 - 4035 Citywest Business Campus, Naas Road, Dublin 24, Ireland	Address Unit B10, Ballycoolin Business and Technology Park, Blanchardstown, Dublin 15, Ireland	Address Via Bisceglie 71, 73 and 75, Milan, Italy	Address Goethering 29, Offenbach am Main, Germany
Land Title Freehold	Land Title Leasehold (Expiring 28 September 2183)	Land Title Freehold	Land Title Leasehold (Expiring 11 April 2041)	Land Title Leasehold (Expiring 31 December 2997)	Land Title Freehold	Land Title Freehold
Ownership Interest 100%	Ownership Interest 100%	Ownership Interest 100%	Ownership Interest 100%	Ownership Interest 100%	Ownership Interest 100%	Ownership Interest 100%
Land Area (sq ft) 279,864	Land Area (sq ft) N.A. ⁽⁸⁾	Land Area (sq ft) 85,358	Land Area (sq ft) 218,236	Land Area (sq ft) 149,620	Land Area (sq ft) 128,791	Land Area (sq ft) 60,235
Gross Floor Area (sq ft) -	Gross Floor Area (sq ft) 34,848	Gross Floor Area (sq ft) -	Gross Floor Area (sq ft) 125,044	Gross Floor Area (sq ft) 76,747	Gross Floor Area (sq ft) -	Gross Floor Area (sq ft) -
Attributable Lettable Area (sq ft) 79,439	Attributable Lettable Area (sq ft) 24,972	Attributable Lettable Area (sq ft) 118,403	Attributable Lettable Area (sq ft) 68,118	Attributable Lettable Area (sq ft) 25,200	Attributable Lettable Area (sq ft) 165,389	Attributable Lettable Area (sq ft) 126,800
Number of Clients⁽¹⁾ 1	Number of Clients⁽¹⁾ 1	Number of Clients⁽¹⁾ 1	Number of Clients⁽¹⁾ 15	Number of Clients⁽¹⁾ 4	Number of Clients⁽¹⁾ 1	Number of Clients⁽¹⁾ 1
Lease Type Triple-net lease (Shell and core)	Lease Type Triple-net lease (Fully fitted)	Lease Type Double-net lease (Fully fitted)	Lease Type Colocation	Lease Type Colocation	Lease Type Double-net lease (Shell and core)	Lease Type Triple-net lease (Fully fitted)
Facility Manager -	Facility Manager -	Facility Manager -	Facility Manager -	Facility Manager -	Facility Manager -	Facility Manager -
Occupancy Rate 100%	Occupancy Rate 100%	Occupancy Rate 100%	Occupancy Rate 56.6%	Occupancy Rate 87.3%	Occupancy Rate 100%	Occupancy Rate 100%
Valuation⁽³⁾ (\$mil) 61.9	Valuation⁽³⁾ (\$mil) 68.3	Valuation⁽³⁾ (\$mil) 143.6	Valuation⁽³⁾ (\$mil) 77.2	Valuation⁽³⁾ (\$mil) 108.9	Valuation⁽³⁾ (\$mil) 58.5	Valuation⁽³⁾ (\$mil) 134.7

Notes:
⁽⁵⁾ Attributable lettable area of KDC SGP 3 and Basis Bay DC are 90% and 99% of total building net lettable area respectively.
⁽⁶⁾ 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.
⁽⁷⁾ Keppel DC REIT outsources facilities management to iseek-KDC Services Pty Limited in respect of the colocation space at Gore Hill DC which is used by two end-clients. iseek-KDC Services Pty Limited is 60% owned by Keppel T&T and 40% owned by iseek Pty Ltd.
⁽⁸⁾ For GV7 DC, 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

KDC SGP 1 is located at the junction of Serangoon North Avenue 4 and Avenue 5. It is situated within the Serangoon North Industrial Estate, some 10.5km north of the city centre. The property is well served by expressways such as 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 to have fulfilled the requirements of the following:

- ANSI/TIA-942:2014 Rated-3
- ISO 9001:2015 (Quality Management System)
- ISO/IEC 27001:2013 (Information Security Management System)
- ISO 50001:2011 (Energy Management System)
- PUB – Water Efficient Building
- Singapore Standard (SS) 507:2008 (Business Continuity/Disaster Recovery Service Provider)
- SS 564 Part-1:2013 (Energy & Environment Management System)
- SS 577:2012 (Water Efficiency Management System)
- Workplace Safety and Health (WSH) Council – bizSAFE Level 3
- WSH Risk Management Award (2014)



Key Statistics

as at 31 December 2017

Location

25 Serangoon North Avenue 5,
Singapore 554914

Land Title

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

Ownership Interest

100%

Attributable Lettable Area (sq ft)

109,721

Number of Clients

17⁽¹⁾

Lease Type

Keppel lease⁽²⁾ / Colocation

Occupancy Rate

84.6%

Valuation (\$mil)

286.0

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 2

KDC SGP 2 is located along Tampines Street 92, off Tampines Avenue 1. 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 the 1990s and was extensively retrofitted in 2010 for conversion to a data centre. In 2015, KDC SGP 2 was conferred the BCA-IMDA Green Mark for Data Centres Gold^{Plus} Award. In addition, KDC SGP 2 was certified to have fulfilled the requirements of the following:

- ANSI/TIA-942:2014 Rated-3
- ISO 9001:2015
(Quality Management System)
- ISO/IEC 27001:2013
(Information Security Management System)
- ISO 50001:2011
(Energy Management System)
- PUB – Water Efficient Building
- SS 507:2008
(Business Continuity/Disaster Recovery Service Provider)
- SS 564 Part-1:2013
(Energy & Environment Management System)
- SS 577:2012
(Water Efficiency Management System)
- WSH Council – bizSAFE Level 3
- WSH Risk Management Award (2014)



Key Statistics

as at 31 December 2017

Location

25 Tampines Street 92,
Singapore 528877

Land Title

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

Ownership Interest

100%

Attributable Lettable Area (sq ft)

37,098

Number of Clients

4⁽¹⁾

Lease Type

Keppel lease⁽²⁾ / Colocation

Occupancy Rate

100%

Valuation (\$mil)

166.0

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 benefits 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

KDC SGP 3 is located adjacent to KDC SGP 2 in Tampines. 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 24/7 technical support.

Built to energy-efficient specifications, the facility is equipped with redundant power and cooling infrastructure to meet high powered rack requirements. In 2014, KDC SGP 3 was conferred the BCA-IMDA Green Mark for Data Centres Platinum Award. Additionally, KDC SGP 3 was certified to have fulfilled the requirements of the following:

- ANSI/TIA-942:2014 Rated-3
- ISO 9001:2015 (Quality Management System)
- ISO/IEC 27001:2013 (Information Security Management System)
- ISO 50001:2011 (Energy Management System)
- PUB – Water Efficient Building
- SS 507:2008 (Business Continuity/Disaster Recovery Service Provider)
- SS 564 Part-1:2013 (Energy & Environment Management System)
- SS 577:2012 (Water Efficiency Management System)
- WSH Council – bizSAFE Level 3



Key Statistics

as at 31 December 2017

Location

27 Tampines Street 92,
Singapore 528878

Land Title

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

Ownership Interest

90%

Attributable Lettable Area (sq ft)

49,433⁽¹⁾

Number of Clients

2⁽²⁾

Lease Type

Keppel lease⁽³⁾ / Colocation

Occupancy Rate

100%

Valuation (\$mil)

223.5⁽⁴⁾

Notes:

⁽¹⁾ Attributable lettable area of KDC SGP 3 is 90% of total building net lettable area.

⁽²⁾ 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.

⁽³⁾ Refers to the Keppel lease which has been entered into by Keppel DC REIT 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 benefits and assume the liabilities of the colocation arrangements entered into by Keppel DCS3 Services Pte. Ltd. and the underlying clients.

⁽⁴⁾ Valuation as at 31 December 2017 was based on 90% ownership interest. The consideration for the acquisition of the 90% interest was at an agreed property value of \$202.5 million, arrived on a willing-buyer and willing-seller basis with the vendor Keppel Data Centres Holding Pte Ltd and supported by independent valuations. The independent valuations by Cushman & Wakefield (dated 1 October 2016) and Savills (dated 30 September 2016) then were \$207.0 million and \$208.0 million respectively, and were derived using discounted cash flow and income capitalisation methods.

Basis Bay Data Centre



Notes:

- (1) Attributable lettable area of Basis Bay DC is 99% of total building net lettable area.
 (2) Excludes the 1.0% interest in Basis Bay DC which is held by E-Basis Bay Sdn Bhd.
 (3) Based on an exchange rate of \$1.00 = RM3.030 as at 31 December 2017.

Key Statistics

as at 31 December 2017

Location

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

Land Title

Freehold

Ownership Interest

99%

Attributable Lettable Area (sq ft)

48,193⁽¹⁾

Number of Clients

1

Lease Type

Colocation

Occupancy Rate

63.1%

Valuation (\$mil)

31.0⁽²⁾⁽³⁾

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

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 well equipped with network and supporting infrastructure.

Cyberjaya is well served by major roads and expressways. There is also an Express Rail Link service to Cyberjaya from KLIA via KLIA Transit. These connections provide good all-round accessibility of Cyberjaya to other strategic economic areas within the greater Klang Valley.

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

Gore Hill Data Centre



Note:

- (1) Based on an exchange rate of \$1.00 = A\$0.980 as at 31 December 2017.

Key Statistics

as at 31 December 2017

Location

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

Land Title

Freehold

Ownership Interest

100%

Attributable Lettable Area (sq ft)

90,955

Number of Clients

3

Lease Type

Triple-net lease
(Shell and core) and Colocation

Occupancy Rate

100%

Valuation (\$mil)

204.0⁽¹⁾

Gore Hill DC is located within Gore Hill Technology Park in Sydney, 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.

It was certified to have fulfilled the requirements of ISO/IEC 27001:2013 (Information Security Management System).

Portfolio Review

Intellicentre 2 Data Centre



Key Statistics

as at 31 December 2017

Location

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

Land Title

Freehold

Ownership Interest

100%

Attributable Lettable Area (sq ft)

87,930

Number of Clients

1

Lease Type

Triple-net lease (Shell and core)

Occupancy Rate

100%

Valuation (\$mil)

51.3⁽¹⁾

IC2 DC is a carrier-neutral data centre that is located within the Macquarie Park in Sydney, 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.

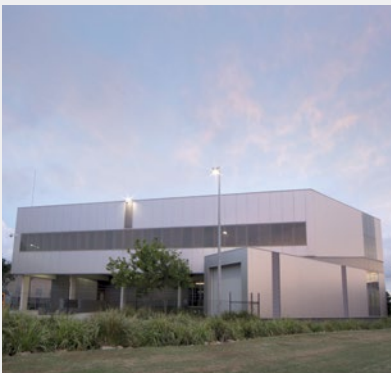
Macquarie Park is a research and business park in Sydney with a concentration of companies in the communications and information technology sectors. It is set on over 200ha of commercial land and is the second largest commercial office region in New South Wales after Sydney’s central business district.

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

Note:

⁽¹⁾ Based on an exchange rate of \$1.00 = A\$0.980 as at 31 December 2017.

iseek Data Centre



Key Statistics

as at 31 December 2017

Location

2 Cycas Lane, Brisbane Airport, Queensland 4009, Australia

Land Title

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

Ownership Interest

100%

Attributable Lettable Area (sq ft)

12,389

Number of Clients

1

Lease Type

Double-net lease (Fully fitted)

Occupancy Rate

100%

Valuation (\$mil)

34.2⁽¹⁾

iseek DC 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, iseek DC 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 DC is a two-storey energy efficient facility built in 2010. It clinched the Property Council of Australia’s “Best Sustainable Development – New Buildings” award and the Queensland Development of the Year 2012.

Note:

⁽¹⁾ Based on an exchange rate of \$1.00 = A\$0.980 as at 31 December 2017.

Cardiff Data Centre



Key Statistics

as at 31 December 2017

Location

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

Land Title

Freehold

Ownership Interest

100%

Attributable Lettable Area (sq ft)

79,439

Number of Clients

1

Lease Type

Triple-net lease
(Shell and core)

Occupancy Rate

100%

Valuation (\$mil)

61.9⁽¹⁾

Keppel DC REIT's data centre in Cardiff is located in 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.

The facility comprises a two-storey data centre connected to a three-storey office block and was completed in 2003.

Note:

⁽¹⁾ Based on an exchange rate of \$1.00 = £0.549 as at 31 December 2017.

GV7 Data Centre



Key Statistics

as at 31 December 2017

Location

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

Land Title

Leasehold
(Expiring 28 September 2183)

Ownership Interest

100%

Attributable Lettable Area (sq ft)

24,972

Number of Clients

1

Lease Type

Triple-net lease
(Fully fitted)

Occupancy Rate

100%

Valuation (\$mil)

68.3⁽¹⁾

GV7 DC is located in Greenwich View Place, London. The facility is located approximately 750m south of Canary Wharf, East London, 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 DC is a two-storey facility which was built in 1987 and extensively refurbished in 2000.

Note:

⁽¹⁾ Based on an exchange rate of \$1.00 = £0.549 as at 31 December 2017.

Portfolio Review

Almere Data Centre



Key Statistics

as at 31 December 2017

Location

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

Land Title

Freehold

Ownership Interest

100%

Attributable Lettable Area (sq ft)

118,403

Number of Clients

1

Lease Type

Double-net lease
(Fully fitted)

Occupancy Rate

100%

Valuation (\$mil)

143.6⁽¹⁾

Almere DC 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.

The 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 DC is a three-storey facility built in 2008.

Note:

⁽¹⁾ Based on an exchange rate of \$1.00 = €0.623 as at 31 December 2017.

Keppel DC Dublin 1



Key Statistics

as at 31 December 2017

Location

Unit 4033 – 4035 Citywest Business Campus, Naas Road, Dublin 24, Ireland

Land Title

Leasehold
(Expiring 11 April 2041)

Ownership Interest

100%

Attributable Lettable Area (sq ft)

68,118

Number of Clients

15

Lease Type

Colocation

Occupancy Rate

56.6%

Valuation (\$mil)

77.2⁽¹⁾

KDC DUB 1 is located in the Citywest Business Campus, a prime suburban industrial and 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.

KDC DUB 1 is a two-storey detached facility built in 2000 with data halls of varying sizes. It was certified to have fulfilled the requirements of ISO 27001:2013 (Information Security Management System) and ISO 9001:2008 (Quality Management System).

Note:

⁽¹⁾ Based on an exchange rate of \$1.00 = €0.623 as at 31 December 2017.

Keppel DC Dublin 2



Note:

⁽¹⁾ Based on a valuation of €67.9 million and an exchange rate of \$1.00 = €0.623 as at 31 December 2017. The consideration for the acquisition of the 100% interest was €66.0 million, arrived on a willing-buyer and willing-seller basis with vendors Dataplex Group Limited and Ficepot Limited, and supported by independent valuation. The independent valuation by Cushman & Wakefield (dated 31 August 2017) was €67.3 million and was derived using income capitalisation, discounted cash flow and market comparison methods.

Key Statistics

as at 31 December 2017

Location

Unit B10, Ballycoolin Business and Technology Park, Blanchardstown, Dublin 15, Ireland

Land Title

Leasehold
(Expiring 31 December 2997)

Ownership Interest

100%

Attributable Lettable Area (sq ft)

25,200

Number of Clients

4

Lease Type

Colocation

Occupancy Rate

87.3%

Valuation (\$mil)

108.9⁽¹⁾

KDC DUB 2, formerly B10 Data Centre, is an energy-efficient carrier-neutral colocation data centre within the Ballycoolin Business and Technology Park in Dublin, approximately 12km from the Dublin city centre and 13km from the Dublin Airport. KDC DUB 2 is well served by major transportation modes.

KDC DUB 2 is a single-storey detached facility with two-storey office block. It started operations in 2013 and was certified to have fulfilled the requirements of the ISO 27001:2013 (Information Security Management System).

Milan Data Centre



Key Statistics

as at 31 December 2017

Location

Via Bisceglie 71, 73 and 75, Milan, Italy

Land Title

Freehold

Ownership Interest

100%

Attributable Lettable Area (sq ft)

165,389

Number of Clients

1

Lease Type

Double-net lease
(Shell and core)

Occupancy Rate

100%

Valuation (\$mil)

58.5⁽¹⁾

Keppel DC REIT's data centre in Milan comprises three interconnected four-storey buildings located approximately 8km away from the Milan city centre. The facility is well connected and easily accessible via the Milan Metro system. Milan is home to the Milan Internet Exchange point and is a strategic location as an emerging regional IT hub that is well connected to other European markets.

The facility was completed in 1998 with an additional ancillary building constructed in 2004.

Note:

⁽¹⁾ Based on an exchange rate of \$1.00 = €0.623 as at 31 December 2017.

Portfolio Review

maincubes Data Centre *(Under development)⁽¹⁾*

maincubes Data Centre, a fully fitted data centre, is currently under development 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.



Key Statistics

as at 31 December 2017

Location

Goethering 29, Offenbach am Main, Germany

Land Title

Freehold

Ownership Interest

100%

Attributable Lettable Area (sq ft)

126,800

Number of Clients

1

Lease Type

Triple-net lease (Fully fitted)

Occupancy Rate (upon legal completion)

100%

Purchase Price (\$mil)

134.7⁽²⁾

Notes:

⁽¹⁾ On 28 October 2015, the REIT announced its first German acquisition of maincubes Data Centre which will be developed in Offenbach am Main. This development is expected to be completed in 2Q 2018 by the vendor and is excluded from the portfolio's AUM as at 31 December 2017.

⁽²⁾ Based on an exchange rate of \$1.00 = €0.623 as at 31 December 2017.

Financial Review

Overview

The Manager maintains a proactive asset management and prudent capital management approach to deliver sustainable returns to Unitholders.

Net Asset Value per Unit

\$0.97

as at 31 December 2017



Distributable income

▲ 34.8%

\$82.3m

From \$61.0 million in FY 2016.

Distribution per Unit (DPU)

▲ 16%

7.12cts

FY 2017 DPU included the one-off capital distribution of 0.15 cents per Unit in relation to the acquisition of Keppel DC Singapore 3.

Group Overview

Keppel DC REIT is a Singapore-domiciled real estate investment trust (REIT) established on 17 March 2011. It was listed on the Singapore Exchange Securities Trading Limited (SGX-ST) on 12 December 2014. This review is for the financial year ended 31 December 2017 (FY 2017).

Following its announcement on 17 October 2016, Keppel DC REIT completed the acquisition of a 90% interest in Keppel DC Singapore 3 (KDC SGP 3) on 20 January 2017. Keppel DC REIT also entered into an agreement with the vendor, Keppel Data Centres Holding Pte. Ltd. to vary the arrangements set out in the Sale and Purchase Agreement such that the rights and obligations 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. Arising from this, there was a one-off capital distribution amounting to \$1.7 million for December 2016 in 1H 2017's distribution.

On 12 September 2017, Keppel DC REIT completed the acquisition of Keppel DC Dublin 2 (KDC DUB 2), the Group's second colocation data centre in Dublin, Ireland.

Distributable income for FY 2017 was \$82.3 million, 34.8% higher than distributable income of \$61.0 million for FY 2016. The growth in distributable income was mainly contributed by the REIT's acquisitions, higher variable income from Keppel DC Singapore 1 (KDC SGP 1), as well as the one-off capital distribution

of \$1.7 million in relation to KDC SGP 3 acquisition. The increase was partially offset by lower variable income from Keppel DC Singapore 2 (KDC SGP 2), lower rental income from Basis Bay Data Centre (Basis Bay DC) and Gore Hill Data Centre (Gore Hill DC), as well as the absence of a one-off net property tax refund in relation to KDC SGP 1 and KDC SGP 2 recorded in FY 2016. Finance costs, Manager's fees and other trust expenses also increased year-on-year.

Distribution per Unit (DPU) was 7.12 cents and 6.14 cents for FY 2017 and FY 2016 respectively. DPU for FY 2016 included a one-off net property tax refund in relation to KDC SGP 1 and KDC SGP 2 amounting to approximately 0.18 cents per Unit, and was also impacted by the pro-rata preferential offering in November 2016 which lowered DPU by approximately 0.36 cents per Unit each for both 3Q 2016 and 4Q 2016. After adjusting for the impact of the one-off net property tax refund and the pro-rata preferential offering, the adjusted DPU for FY 2016 would be 6.68 cents. DPU for FY 2017 included the one-off capital distribution of 0.15 cents per Unit in relation to the KDC SGP 3 acquisition. Excluding this one-off capital distribution, the adjusted DPU for FY 2017 would be 6.97 cents, representing a 4.3% growth from FY 2016 adjusted DPU of 6.68 cents.

Based on the FY 2017 market closing price of \$1.430 per Unit, Keppel DC REIT's FY 2017 distribution yield and adjusted distribution yield were 4.98% and 4.87% respectively.

Financial Review

Group Financial Overview

	2017 \$'000	2016 \$'000	Change %
Gross rental income	134,630	97,155	38.6
Other income	4,420	1,984	>100
Gross revenue	139,050	99,139	40.3
Property operating expenses	(13,931)	(8,203)	69.8
Net property income	125,119	90,936	37.6
Finance income	1,402	1,293	8.4
Finance costs	(14,671)	(12,768)	14.9
Trustees' fees	(295)	(180)	63.9
Manager's base fee	(7,216)	(5,563)	29.7
Manager's performance fee	(4,077)	(3,070)	32.8
Audit fees	(226)	(261)	(13.4)
Valuation fees	(200)	(276)	(27.5)
Net realised gains on derivatives	934	1,776	(47.4)
Other trust expenses	(14,660)	(207)	>100
Net income	86,110	71,680	20.1
Net change in fair value of investment properties	(8,519)	(13,994)	(39.1)
Total return for the year before tax	77,591	57,686	34.5
Tax expenses	(7,317)	(6,743)	8.5
Total return for the year after tax	70,274	50,943	37.9
Total return attributable to:			
Unitholders	65,225	50,937	28.1
Non-controlling interests	5,049	6	>100
Total return for the year	70,274	50,943	37.9
Total return for the year attributable to Unitholders	65,225	50,937	28.1
Net tax and other adjustments to total return after tax attributable to Unitholders	17,095	10,111	69.1
Distributable income⁽¹⁾	82,320	61,048	34.8

⁽¹⁾ The distributable income in 2017 included KDC SGP 3's Capex Reserves pursuant to the lease agreement.

Revenue and Expenses

Keppel DC REIT recorded gross revenue of \$139.1 million in FY 2017, which was \$39.9 million or 40.3% higher than that in FY 2016.

Gross rental income for FY 2017 was \$134.6 million, an increase of \$37.4 million or 38.6% from \$97.2 million for FY 2016. This was mainly contributed by the acquisitions of KDC DUB 2, Milan Data Centre (Milan DC), Cardiff Data Centre (Cardiff DC) and the 90% interest in KDC SGP 3, as well as higher variable income from KDC SGP 1 and the absence of non-cash downward adjustment for the straight-lining of rental income at Almere Data Centre. In addition, overseas contributions increased due to the appreciation of the AUD and EUR against the SGD. These were partially offset by lower variable income from KDC SGP 2 due to lower recurring and power revenue, lower rental income from Basis Bay DC, lower rental income and a one-off non-cash downward adjustment for the straight-lining of rental income at Gore Hill DC as well as the depreciation of the GBP and MYR against the SGD.

Other income of \$4.4 million in FY 2017 arose mainly from rental top up income as well as ad hoc service revenue charged to clients and net power-related revenue for the recovery of power costs.

Property operating expenses for FY 2017 was \$13.9 million, an increase of \$5.7 million or 69.8% from \$8.2 million for FY 2016. The increase was largely due to the acquisitions of KDC DUB 2, KDC SGP 3 and Milan DC, as well as the absence of a one-off net property tax refund at KDC SGP 1 and KDC SGP 2 recorded in FY 2016.

As a result, net property income of \$125.1 million for FY 2017 was \$34.2 million or 37.6% higher than FY 2016.

Total Return Attributable to Unitholders

Total return after tax for FY 2017 was \$70.3 million, after taking into account the net fair value loss of \$8.5 million (2016: \$14.0 million) and deferred tax expense of \$1.8 million (2016: \$1.5 million) provided on the fair value gains for the portfolio. Excluding the fair value changes and deferred tax, the total return after tax for FY 2017 was \$80.6 million, an increase of \$14.2 million or 21.4% as compared to \$66.4 million in FY 2016. The year-on-year increase in total return after tax was mainly due to higher net property income and lower current tax expenses in FY 2017, partially offset by higher net unrealised foreign exchange losses, finance costs, Manager's fees and other expenses compared to FY 2016.

Gross Revenue (\$m)



	2017	2016
● Colocation	98.8	67.5
● Fully Fitted	22.8	23.0
● Shell and Core	17.5	8.6
Total	139.1	99.1

Net Property Income (\$m)



	2017	2016
● Colocation	86.6	60.3
● Fully Fitted	22.3	22.8
● Shell and Core	16.2	7.8
Total	125.1	90.9

Financial Review

Total return attributable to Unitholders was \$65.2 million for FY 2017 after taking into account the amount attributable to non-controlling interests. This was 28.1% higher than the \$50.9 million recorded in FY 2016.

Investment Properties

As at 31 December 2017, the carrying value of investment properties amounted to \$1,570.1 million as compared to \$1,225.9 million as at 31 December 2016. This included finance lease liabilities capitalised pertaining to land rent commitments of \$33.8 million (31 December 2016: \$32.4 million). The increase of \$344.2 million or 28.1% in carrying value was mainly due to the addition of KDC SGP 3 and KDC DUB 2 to the portfolio, capital expenditure, net foreign exchange translation gains, partially offset by net fair value losses from the revaluation of the Group's investment properties.

Net Asset Value (NAV) per Unit

NAV per Unit as at 31 December 2017 was \$0.97 (31 December 2016: \$0.95). Excluding the distributable income for the second half of the year, the adjusted NAV per Unit was \$0.93 (31 December 2016: \$0.93).

Funding and Borrowings

The Group's total borrowings as at 31 December 2017 was \$546.5 million (31 December 2016: \$439.3 million). The increase was mainly due to a loan drawn to fund the acquisition of KDC DUB 2 in September 2017. As at 31 December 2017, there were \$133.6 million unutilised facilities (31 December 2016: \$136.9 million) for the Group to meet its future obligations.

During the year, the Manager established a \$500 million Multicurrency Medium Term Note Programme to diversify the REIT's sources of funding. The Manager had also completed early refinancing for all the loans that were due in 2018, extending the REIT's weighted average debt tenor to 3.8 years as at 31 December 2017. All-in weighted average cost of debt was 2.2%, with interest coverage ratio at 9.7 times.

In arriving at the aggregate leverage of 32.1% as at 31 December 2017 under the Property Funds Appendix in the Code on Collective Investment Schemes (CIS Code) issued by the Monetary Authority of Singapore (MAS), \$33.8 million of finance lease liabilities pertaining to land rent commitments were excluded.

Cash Flows and Liquidity

As at 31 December 2017, Keppel DC REIT's cash and cash equivalents were \$118.2 million (31 December 2016: \$298.0 million).

Net cash generated from operating activities for FY 2017 was \$117.8 million, \$42.1 million higher than \$75.7 million for FY 2016.

Distributable Income⁽¹⁾ (\$m)

1Q		21.8
		14.7
2Q		20.1
		14.7
3Q		20.2
		16.8
4Q		20.2
		14.8
2017 Total		82.3
2016 Total		61.0

■ 2017 ■ 2016

⁽¹⁾ The distributable income for 3Q 2016 included a one-off net property tax refund recorded in relation to KDC SGP 1 and KDC SGP 2.

The distributable income for 1Q 2017 included a one-off capital distribution arising from the later completion of KDC SGP 3 and where the vendor had agreed that all rights and obligations shall pass to the REIT as if completion had occurred on 1 December 2016.

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

Keppel DC Singapore 1		286.0
		279.0
Keppel DC Singapore 2		166.0
		176.0
Keppel DC Singapore 3		248.3
		-
Basis Bay Data Centre		31.3
		34.9
Gore Hill Data Centre		204.0
		219.7
Intellicentre 2 Data Centre		51.3
		49.2
iseek Data Centre		43.5
		43.9
Cardiff Data Centre		61.9
		60.4
GV7 Data Centre		68.3
		67.5
Almere Data Centre		143.6
		137.7
Keppel DC Dublin 1		101.6
		104.2
Keppel DC Dublin 2		107.8
		-
Milan Data Centre		56.5
		53.4
2017 Total		1,570.1
2016 Total		1,225.9

■ 2017 ■ 2016

⁽¹⁾ Investment properties includes the carrying value of the finance lease liabilities capitalised pertaining to the land rent commitments for iseek DC and KDC DUB 1.

During the year, the Manager established a \$500 million Multicurrency Medium Term Note Programme to diversify the REIT's sources of funding.

This was mainly due to higher operational cash inflow and lower working capital requirements during the year.

Net cash used in investing activities for FY 2017 amounted to \$305.1 million, \$184.4 million higher than FY 2016's \$120.7 million. This was mainly due to the acquisitions of the 90% interest in KDC SGP 3 and 100% interest in KDC DUB 2 in 2017, versus the acquisitions of 100% interests in Cardiff DC and Milan DC in 2016. There was also higher capital expenditure incurred during FY 2017.

The Group recorded net cash generated from financing activities of \$9.7 million in FY 2017, \$292.3 million lower as compared to \$302.0 million for the corresponding period last year. Net cash generated in FY 2016 was mainly due to proceeds raised during the pro-rata preferential offering of new Units in November 2016, part of which was used to finance the acquisition of the 90% interest in KDC SGP 3 which was completed in January 2017, net bank

borrowings proceeds drawn down to finance the acquisitions of Cardiff DC and Milan DC, partially offset by distributions paid.

Use of Proceeds of the Pro-rata Preferential Offering

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 in November 2016. The net proceeds have been partially utilised as follows:

1. \$206.9 million for the acquisition of KDC SGP 3;
2. \$33.4 million for the repayment of a loan taken up to finance the acquisition of Intellicentre 2 Data Centre;
3. \$5.9 million for the settlement of purchase price adjustments for KDC SGP 1 and KDC SGP 2;
4. \$2.7 million for the one-off capital distribution paid in August 2017; and
5. \$8.5 million for capital expenditure purposes.

There was \$17.8 million of unutilised proceeds as at 31 December 2017.



1. Keppel DC REIT completed the acquisition of KDC SGP 3 (right) in January 2017.

Financial Review

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

Capital Management

The Manager regularly reviews the Group's financial policy as well as its debt and capital management structures to optimise the Group's funding sources. 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.

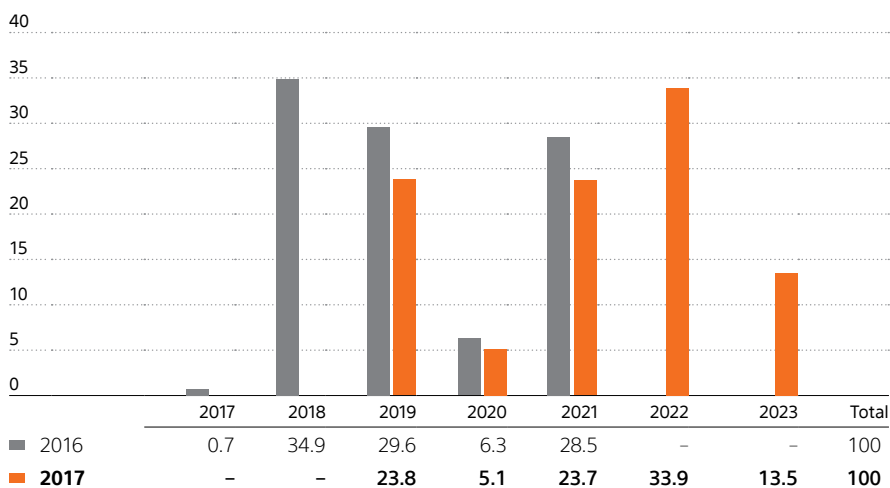
Under the Property Funds Appendix of the CIS Code, the aggregate leverage should not exceed 45.0% of the Group's deposited properties. The Group has complied with this requirement for the financial year ended 31 December 2017.

Financial Risk Management

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

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. The Manager manages its foreign currency exposure through foreign currency forward contracts. Natural hedging is in place

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



Key Statistics

	31 December 2017	31 December 2016
Aggregate Leverage ¹ (%)	32.1	28.3
Weighted Average Debt Tenor (years)	3.8	3.2
Percentage of Assets Unencumbered (%)	100.0	100.0

¹ 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 CIS Code issued by the 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 33.4% (31 December 2016: 29.8%).



1.
The Manager operates across multiple jurisdictions and adopts appropriate hedging strategies to manage interest rate and foreign currency exposure for the Group.

with borrowings in currencies that match the corresponding investments. As at 31 December 2017, the Manager has hedged the REIT's forecasted foreign-sourced distributions till 1H 2019.

Accounting Policies

The financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice 7 (Revised March 2017) "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 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.

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 judgements, 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 is discussed in greater detail in the notes to the financial statements.

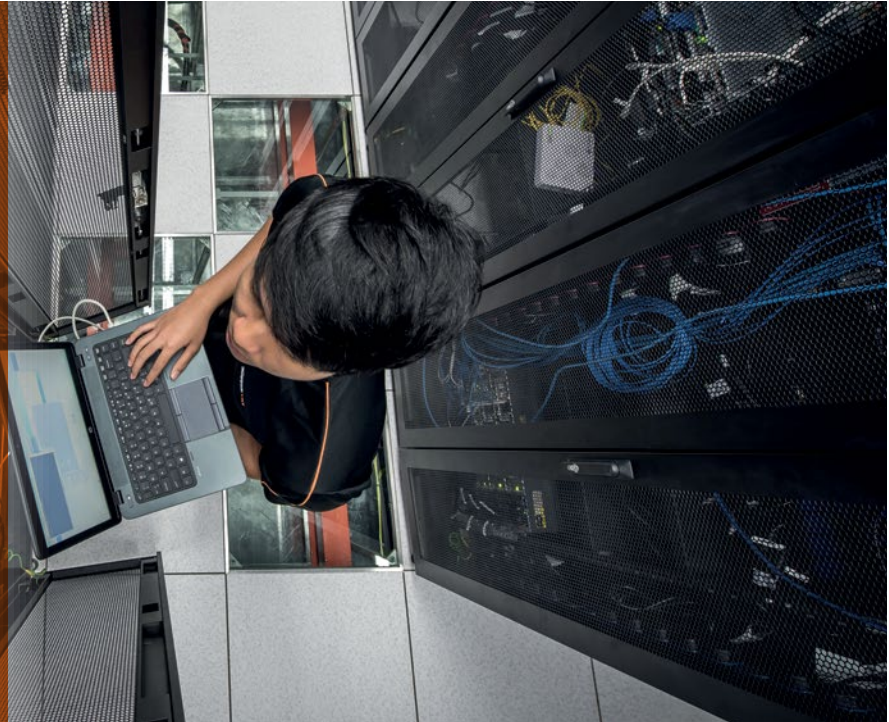
The Accounting Standards Council (Singapore) has introduced a new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS(I)), that is identical to the International Financial Reporting Standards issued by the International Accounting Standards Board. The MAS has granted the Group a waiver from compliance with the requirement under Paragraph 4.3 of Appendix 6 to the CIS Code to prepare its financial statements in accordance with the Singapore Financial Reporting Standards.

The Group has adopted SFRS(I) on 1 January 2018 and as a result, the Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I). The adoption of SFRS(I) is expected to have minimal impact to the financial statements.

Risk Management

Overview

A robust risk management approach enables an effective response to the evolving business landscape.



Risk management is a key element of the Manager's business strategy. The Manager adopts a robust approach in the identification and management of risks associated with the execution of business strategies. This enables the Manager to respond promptly and 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 likelihood 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 advises management in formulating various risk policies and guidelines. Terms of reference of the ARC are disclosed on pages 147 and 148 of this Report.

On a quarterly basis, or more frequently if necessary, the Board and management 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 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 serve to 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 2017, 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, and managing property expenses to raise operational efficiency.
- 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 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 potential disruptions resulting from internal and external events, while continuing critical business functions. Regular BCP drills are conducted to ensure operational resilience.

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 achieve a well-spread debt maturity profile.

3. Financial Risk

- The Manager constantly monitors the exposure of Keppel DC REIT to changes in interest and foreign exchange rates. It utilises various financial instruments, where appropriate, to hedge against exposure.
- The Manager enters 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.
- The Manager mitigates the impact of currency fluctuations through the use of foreign currency forward contracts to hedge the REIT's foreign-sourced distributions.

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, the 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 to uphold regulatory compliance in all 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 and anti-bribery 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: p62-65

Empowering Lives



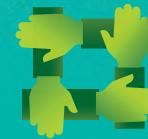
People are the cornerstone of our businesses.

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: p66-68

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.

As leaders in our businesses, we support industry initiatives and encourage open dialogue to promote growth.

➤ For more information, go to: p69

Letter to Our Stakeholders

Sustainability is a long-term journey and we will strive to create positive impact wherever we operate.



Dear Valued Stakeholders,

Keppel DC REIT had an eventful 2017 as it continued to deliver strong portfolio performance and sustainable returns during the year.

As we continue our focus to grow the REIT, we are cognisant of the importance of ensuring the sustainability of our business, empowering the lives of our people and nurturing communities wherever we operate to create long-term value for all stakeholders.

I am pleased to present to you Keppel DC REIT's second sustainability report that details management's approach towards environmental, social and governance (ESG) issues. As a member of the Keppel Group and with a portfolio spanning Asia Pacific and Europe, Keppel DC REIT is committed to addressing the priorities set out in the United Nations' Sustainable Development Goals, particularly in providing robust digital infrastructure for the benefit of communities. We have prepared the report in accordance with the internationally-recognised Global Reporting Initiative (GRI) Standards: Core option. This year, we have taken steps to improve our implementation and established targets that guide us in our sustainability efforts.

Keppel DC REIT's sustainability efforts involve all functions in the manager, including asset management, facility management, investment, human resources, finance, compliance and investor relations. ESG aspects are monitored quarterly.

Data centres are a unique asset class, comprising mission-critical facilities that operate 24/7 to support global business

needs. The need for resiliency and high performance typically see data centres being energy-intensive due to the high power requirements of IT equipment along with the supporting cooling infrastructure needed to maintain optimal environmental conditions within the facility. As we continue to grow Keppel DC REIT, it is inevitable that energy and water consumption levels are expected to increase in absolute terms. Nevertheless, we will strive to embed green initiatives in our business where possible, so as to minimise our impact on the environment.

We have taken robust steps to improve our efforts during the year. Our colocation assets in Australia and Dublin use electricity generated from renewable resources. Water conservation initiatives were also introduced at our assets in Singapore, and have achieved encouraging results. Working with our facility managers, Keppel DC Singapore 1 and 2 saw significant reduction in total water consumption after we set out to increase the water recycling capability of the data centres' cooling towers.

On the governance front, I am also happy to share that Keppel DC REIT topped Singapore's inaugural Governance Index for Trusts, which measures corporate governance practices and takes into consideration the differences in business models and regulatory requirements of trusts and listed companies.

We believe that people are at the core of a successful business. We will continue to provide a safe and nurturing environment for employees that also facilitates innovation and collaboration. We recognise the importance of investing in our people for their professional development. In 2017,

the average training hours per full-time employee was approximately 22 hours.

Safety is one of Keppel's core values, and we seek to provide a safe working environment for the benefit of all stakeholders. Despite our best efforts, we had a non-fatal slip and fall workplace incident at one of our facilities during the year. We have taken immediate actions to prevent similar incidents. We will continue to work closely with our facility managers to create a safe workplace for all employees and stakeholders.

We strive to make a difference in communities where we operate. As part of Keppel Capital, we have adopted the Muscular Dystrophy Association of Singapore (MDAS) as our beneficiary. During the year, a series of three activities was organised for the MDAS beneficiaries. We will continue to support initiatives that uplift the lives of the less privileged.

Sustainability is a long-term journey and we will strive to create positive impact wherever we operate.

We value any feedback that you may have that will help us in our sustainability journey.

Yours sincerely,

Chua Hsien Yang
20 February 2018

About this Report

Reporting Period and Scope

Keppel DC REIT's sustainability report for FY 2017 was prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. For succinct and relevant reporting to Keppel DC REIT's stakeholders, this report focuses on the key material areas for Keppel DC REIT's business and covers economic, governance, environmental and social aspects of the business.

The report outlines Keppel DC REIT's practices and initiatives during the financial year from January to December 2017, 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 actual full year data shows a variance of more than 5% from our annualised data, the data will be restated in the following year's Sustainability Report. There was an instance of significant variance (of more than 5%)

between Keppel DC REIT's annualised data reported in its 2016 Sustainability Report and the actual data. Scope 1 carbon emissions has been restated to 222 tonnes, lower than the annualised data of 246 tonnes due to less diesel used in equipment maintenance and tests in the last three months of 2016.

Data from Keppel DC REIT and the colocation data centre assets which the REIT has operational oversight of is included in this report. Assets covered in this report include Keppel DC Singapore 1 (KDC SGP 1), Keppel DC Singapore 2 (KDC SGP 2) and Keppel DC Singapore 3 (KDC SGP 3) in Singapore, Gore Hill Data Centre (Gore Hill DC) in Australia, and Keppel DC Dublin 1 (KDC DUB 1) in Ireland.

Basis Bay Data Centre (Basis Bay DC) in Malaysia and Keppel DC Dublin 2 (KDC DUB 2) in Ireland are excluded from this report as full-year data was not available. Basis Bay DC was converted from

a master-leased facility to a colocation asset in the middle of the year, while KDC DUB 2 was added to the portfolio in September 2017. The Manager will look into including these facilities in next year's reporting. Otherwise, the reporting scope remains the same as that in the Sustainability Report in 2016.

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

Keppel DC REIT's sustainability report is currently not externally assured as it has just embarked on its sustainability journey. The Manager will review the need for external assurance as the sustainability reporting framework stabilises.

Keppel DC REIT values feedback that will enhance its sustainability efforts. Please share your recommendations with us at investor.relations@keppeldcreit.com.

Performance Data

	2017	Page
Total Energy Consumption (MWh)	217,027	64
Total Water Consumption (m ³)	214,367	65
Training Hours per Employee	22	67
Accident Frequency Rate ⁽¹⁾⁽²⁾ (reportable accidents per million man-hours)	1.7	68
Accident Severity Rate ⁽¹⁾⁽²⁾ (man-days lost per million man-hours)	36.3	68

⁽¹⁾ Excludes the Manager's man-hours.

⁽²⁾ According to Ministry of Manpower guidelines.

1. The report scope outlines practices in Keppel DC REIT's colocation data centre assets that the Manager has operational oversight of.



Managing Sustainability

As part of its efforts to position Keppel DC REIT as the preferred data centre real estate investment trust, the Manager will continue to uphold strong corporate governance, environmental protection, human capital development, safety performance as well as community outreach initiatives to create long-term value for all stakeholders.

Leadership and Management Involvement

The Manager adheres to Singapore's Code of Corporate Governance 2012 (the Code), issued by the Monetary Authority of Singapore. The Code provides the framework for controls, checks and accountability 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 opportunity.

Keppel DC REIT's Sustainability Committee looks at all relevant functions, including asset management, facility management, investment, human resources, finance, compliance and investor relations. The committee monitors the REIT's sustainability performance and trends for material issues identified by the Manager such as energy efficiency and labour practices. These are reviewed on a quarterly basis, and feedback from the committee assists senior management with the application of the REIT's sustainability strategy.

The Manager's scorecard also takes into account sustainability aspects in support of the Keppel Group's 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 address 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 Standards. This report focuses on economic, environmental, social and governance issues that are relevant and significant to Keppel DC REIT and its key stakeholders.

Material issues identified are prioritised in a matrix (see page 60) from the perspective of both internal and external stakeholders. External stakeholders' perspectives were based on feedback and responses to information requests received from external stakeholders such as investors, clients and business partners.

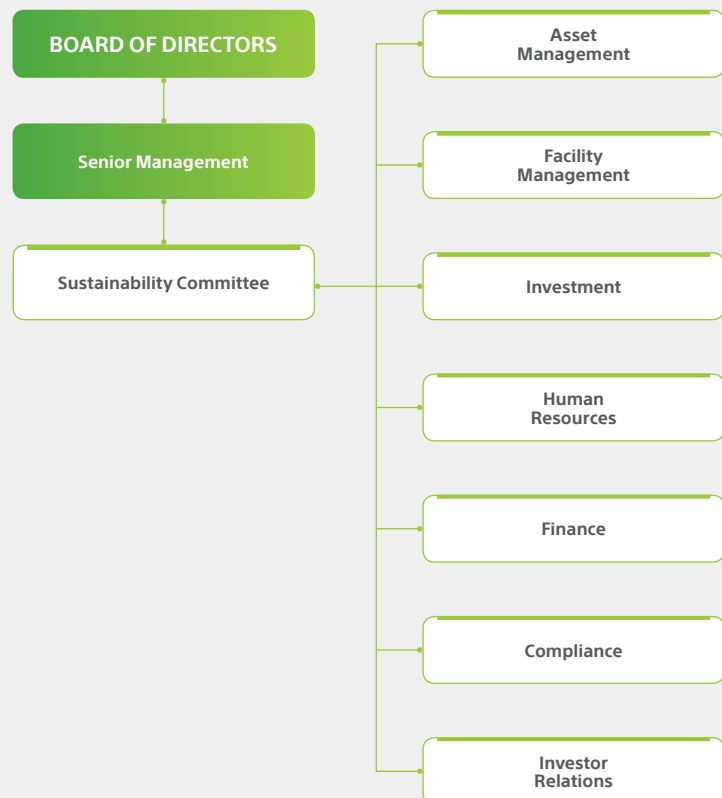
All of the material issues identified were deemed equally relevant, both internally and externally, except for issues in relation to labour practices, safety and health which were considered more significant to internal stakeholders.

This report focuses on the Highly Critical and Critical issues. The Important issues are monitored internally and will be reported to stakeholders if and when the issues become significant. During the year, targets have also been set to guide the Manager in its sustainability efforts while navigating the Highly Critical and Critical issues.

Amongst the Highly Critical and Critical issues, the Manager believes that economic performance, compliance, labour practices and employment, business ethics and transparency are significant throughout Keppel DC REIT's business, while aspects such as building and service quality, energy efficiency, safety and health, water management and sustainable procurement are more relevant to the investment and asset management part of Keppel DC REIT's business.

The Manager monitors and reviews its material issues periodically based on feedback and stakeholder engagements.

Sustainability Management Structure

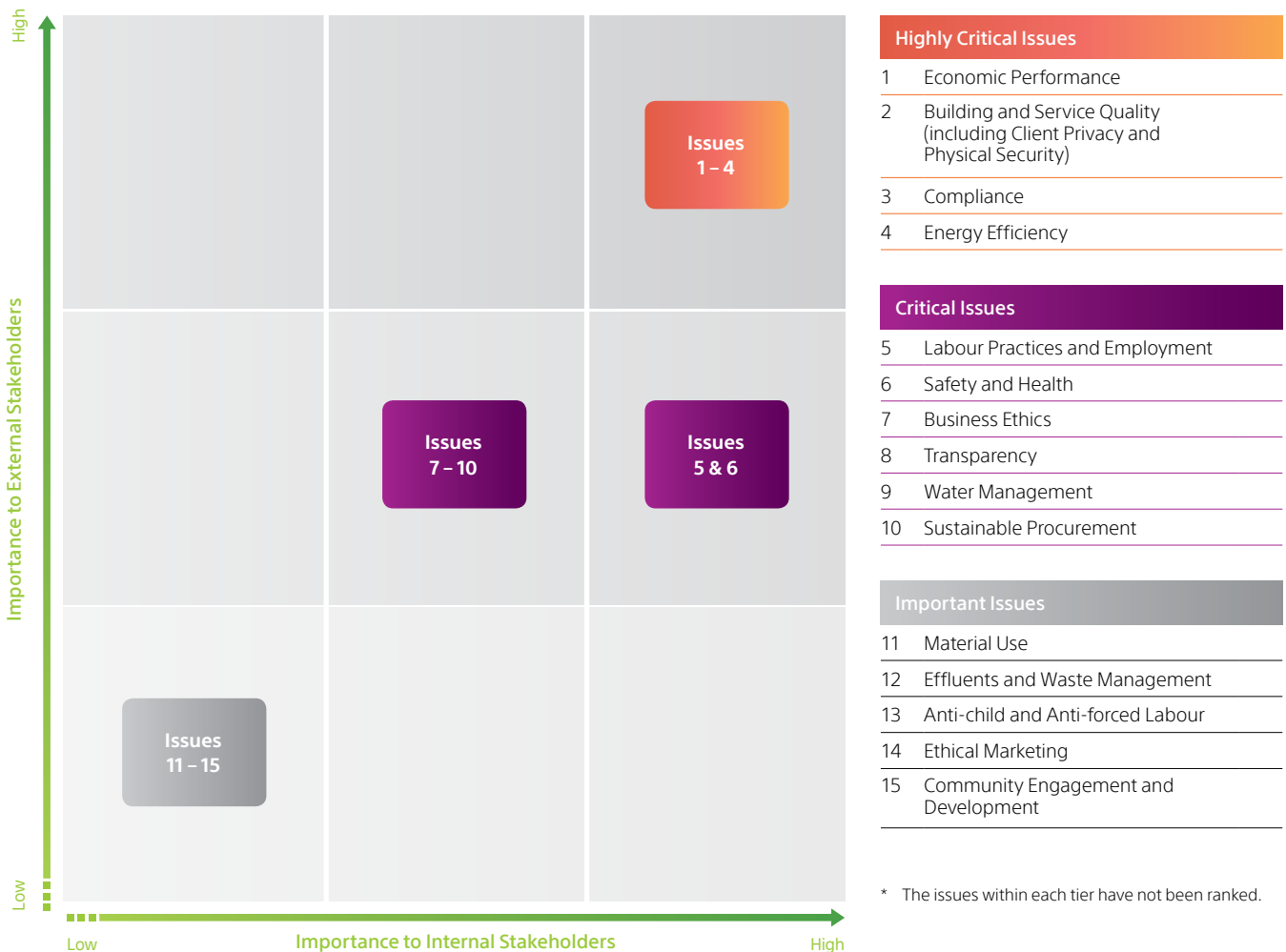


Managing Sustainability

Key Material Issues

Key Material Issues	Page Reference	Targets
Economic Performance	47-53	Maximise returns while maintaining financial flexibility and long-term sustainability
Building and Service Quality (including Client Privacy and Physical Security)	63	Obtain satisfactory score and above from key accounts during annual feedback
Compliance	62-63	Zero violation of laws and regulations of the countries where we operate
Energy Efficiency	64-65	Enhance operational efficiency to optimise water and energy consumption; as well as embed green initiatives to enhance energy and water efficiency
Water Management	64-65	
Labour Practices and Employment	66-68	Raise level of employee engagement and increase average training hours
Safety and Health	68	Zero-incident workplace
Business Ethics	62	Zero corruption
Transparency	61	Utilise multiple platforms to enhance stakeholder outreach and communication
Sustainable Procurement	62-63	Full compliance with local laws among our suppliers

Materiality Matrix*



Stakeholder Engagement

Before Keppel DC REIT’s sustainability reporting framework was implemented, the key stakeholders were identified during the materiality assessment based on the extent of their ability to affect or be affected by Keppel DC REIT’s business policies and developments.

Apart from regulatory responsibilities, the Manager believes in upholding timely, accurate and transparent communication with Keppel DC REIT’s stakeholders to gather feedback and address any queries.

Stakeholders are engaged through various platforms at least once a year. Many of the Manager’s engagement sessions with stakeholders are undertaken quarterly or on an ongoing basis. The Manager also engages with stakeholders as and when required on an ad-hoc basis.

Through proactive engagement of stakeholders, the Manager will be able to adapt Keppel DC REIT’s strategies to the existing business environment, and also address the concerns of stakeholders in its engagement with them.

Strategic Memberships

The Manager supports various initiatives that advocate good corporate governance and contribute to the advancement of relevant sectors.

The Manager is a member of the REIT Association of Singapore (REITAS) which promotes the Singapore REIT (S-REIT) industry and strives to enhance the operating and regulatory environment for the S-REIT industry. It also supports the Investor Relations Professionals Association of Singapore (IRPAS) that contributes to elevating the overall standard of investor relations in Singapore.

The Keppel Group 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, the REIT’s wholly-owned KDCR (Ireland) Limited is a member of the Large Industry Energy Network (LIEN), facilitated by the Sustainable Energy Authority of Ireland. LIEN is a voluntary group of companies that works together to develop robust energy management and shares knowledge on energy efficiency enhancements.

Below is a summary of the Manager’s stakeholder engagement approach:

<p>Employees </p> <p>Objectives Foster a cohesive identity and provide open feedback channels</p> <p>Engagement & Initiatives Employee engagement surveys, orientation programme, training, staff appraisals</p> <p>More details on pages 66-68</p> <p>Key Topics Vision and strategy; productivity and innovation; teamwork and collaboration; people development</p>	<p>Investors </p> <p>Objectives Ensure timely and accurate disclosure</p> <p>Engagement & Initiatives Annual General Meetings, local and overseas investor roadshows, quarterly analyst teleconferences, corporate website, email feedback, meetings and conference calls</p> <p>More details on pages 19 and 20</p> <p>Key Topics Business strategy and corporate developments; financial performance</p>	<p>Clients </p> <p>Objectives Build deeper relationships with existing and prospective clients</p> <p>Engagement & Initiatives Annual survey, onsite audit, meetings and functions with clients</p> <p>More details on pages 62, 63 and 68</p> <p>Key Topics Building and service quality; health, safety and environment matters</p>	<p>Business Partners </p> <p>Objectives Align our values with suppliers to enhance operational resilience</p> <p>Engagement & Initiatives Safety and operations workshops, annual reviews and feedback sessions</p> <p>More details on pages 62, 63 and 68</p> <p>Key Topics Compliance; collaboration; health, safety and environment matters</p>	<p>Governments </p> <p>Objectives Collaborate and work alongside on issues of mutual interest</p> <p>Engagement & Initiatives Meetings, site visits and functions</p> <p>More details on page 62</p> <p>Key Topics Feedback on new guidelines; opportunities for business collaboration</p>
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Sustaining Growth

The Manager will continue to uphold strong corporate governance, environmental protection, human capital development, safety performance as well as community outreach initiatives to create long-term value for all stakeholders.

Corporate Governance

The Manager is committed to uphold sound corporate governance as it is key to the sustainability of the REIT's business excellence.

A majority of the Manager's Board are independent directors, which ensures fair treatment of Unitholders and safeguards their interests. Apart from timely and accurate disclosure of material information, the Manager also employs various platforms in its outreach to the investing community.

More details on Keppel DC REIT's corporate governance guidelines and practices are available on pages 130 to 163.

Risk Management and Business Continuity

The Manager adopts a holistic and systematic risk management framework that identifies, evaluates and manages risks in its decision-making processes. Sustainability factors are among the key risks considered when evaluating investment opportunities.

Potential risks that may influence asset operations are regularly assessed by the Manager as well as 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 is an integral part of the Group's Enterprise Risk Management framework. The 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 54 and 55.

Compliance, Anti-bribery and Anti-corruption Measures

The Manager believes that anti-bribery and anti-corruption measures are important to protect its brand equity and the long-term business sustainability of the REIT. As such, it adopts a strong anti-corruption and anti-bribery stance and regularly communicates key policy requirements to all employees including senior management and directors. All new employees are required to declare conflicts of interest. During orientation, they are also briefed on the Manager's Employee Code of Conduct, Anti-corruption Policy and whistle-blowing procedures. On top of compliance-related trainings conducted by the Manager during the year, there were online annual training and declaration of adherence to Group policies at the Keppel Group level as well.

The policies are readily available for employees to access in a shared portal. The Manager undergoes periodic internal and external audits to ensure that it adheres to relevant policies. Controls are also in place for financial, operational, compliance and information technology processes.

In addition, employees are responsible for the declaration of conflicts of interests at least once annually and as and when necessary. More details of such policies are available on pages 144 to 150.

The Manager complies with the laws and regulations of the countries where it operates. There were no incidents of corruption or violations of laws, regulations and voluntary codes pertaining to the environment and



1. Keppel DC REIT's data centres and clients' IT systems are well protected with a robust physical security system.

the provision, use, health and safety of products and services of the Manager which it is aware of.

Supply Chain Management

Keppel DC REIT's supply chain mainly comprises suppliers of mechanical and electrical equipment as well as certain facility management service providers. Facility management services for data centres include physical security, technical maintenance and routine cleaning. These products and services are sourced and procured locally in the cities where the data centres are situated.

To uphold quality service to its clients and meet the stringent requirements of its global clientele, the Manager assesses the track record, quality and reputation of potential suppliers. Environmental responsibility should be an integral part of suppliers' normal practices. In the selection of suppliers, prospective contractors are required to submit their sustainability policies, procedures, accreditations and certifications where applicable, for the Manager's assessment and review.

Safe work method statements outlining the agreed practices with suppliers are reviewed regularly so that they are constantly updated and aligned with the REIT's safety standards. The performance of suppliers is evaluated annually and steps are taken to ensure satisfactory service quality and safety standards through regular client interaction and surveys.

As suppliers are sourced locally, they are expected to abide by local laws on human rights and labour practices. No known non-compliance cases with the law by suppliers were reported during the year.

The Keppel Group Supplier Code of Conduct was introduced and implemented in end 2016 and integrates Keppel's sustainability principles across the REIT's supply chain. Key suppliers are expected to abide by the Code of Conduct, which covers areas pertaining to business conduct, anti-corruption, 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 serves a global clientele across industries such as internet enterprises, financial institutions and information technology services with stringent service-level 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, clients' 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. Standard Operating Procedures within the facilities mandate that all visitors to the facilities must be pre-approved

and registered in advance with clients or the Manager to minimise the risk of unauthorised entry. Processes and measures such as the non-display of client directories or logos at the facilities are also in place to safeguard clients' privacy. There were no reported cases of contractual breaches on client privacy in 2017.

The Manager continually strives to uphold operational excellence. Annual feedback was gathered from colocation clients on physical security, building and service standards of the facilities. The 2017 rating achieved was satisfactory and above.

The Manager places strong emphasis on the Business Continuity Management (BCM) aspect of the REIT's data centres. Various BCM exercises were conducted throughout the year in the data centres to ensure preparedness in mitigating any impact from potential scenarios such as power outages, fire drills and influenza pandemics.

To ensure disruption-free operations, the Manager maintains strict operating processes and standards for high infrastructure availability in supporting clients' needs. Equipment is periodically maintained and tested to uphold operational excellence.

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

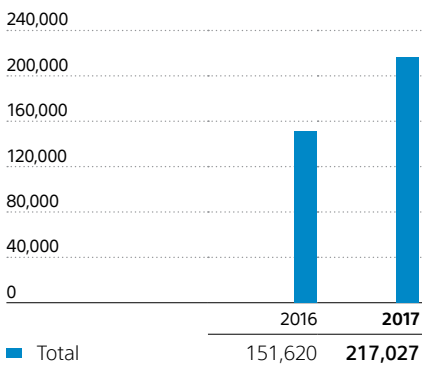
Asset	Award/Accreditation/Certification
KDC SGP 1, KDC SGP 2 & KDC SGP 3	ANSI/TIA 942:2014 – Rated 3
KDC SGP 2	BCA-IMDA Green Mark for Data Centres (2015) Gold ^{Plus} Award
KDC SGP 3	BCA-IMDA Green Mark for Data Centres (2014) Platinum Award
KDC SGP 1, KDC SGP 2 & KDC SGP 3	ISO 9001:2015 – Quality Management System
KDC DUB 1	ISO 9001:2008 – Quality Management System
KDC DUB 1	ISO 27001:2013 – Information Security Management System
Gore Hill DC, KDC SGP 1, KDC SGP 2 & KDC SGP 3	ISO/IEC 27001:2013 – Information Security Management System
KDC SGP 1, KDC SGP 2 & KDC SGP 3	ISO 50001:2011 – Energy Management System
KDC SGP 1, KDC SGP 2 & KDC SGP 3	PUB – Water Efficient Building
KDC SGP 1, KDC SGP 2 & KDC SGP 3	SS 507:2008 – Business Continuity/Disaster Recovery Services Provider
KDC SGP 1, KDC SGP 2 & KDC SGP 3	SS 564 Part-1:2013 – Energy and Environment Management System
KDC SGP 1, KDC SGP 2 & KDC SGP 3	SS 577:2012 – Water Efficiency Management System
KDC SGP 1, KDC SGP 2 & KDC SGP 3	WSH Council – bizSAFE Level 3

Sustaining Growth

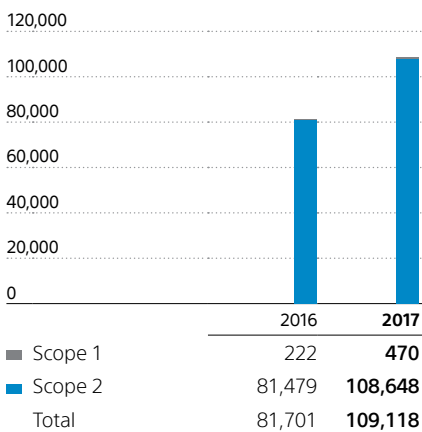
1. The Manager monitors and analyses fuel, electricity and water consumption patterns monthly to make informed maintenance and investment decisions.
2. Several of the REIT's data centres such as Gore Hill Data Centre (pictured) use electricity generated from renewable resources.



Energy Consumption Per Annum (MWh)



Carbon Emissions Per Annum (tCO₂)



Energy and Water Management

The Manager believes that it is important to manage its data centre operations in a sustainable manner as it pursues long-term growth for Keppel DC REIT. Electricity and water data is compiled from utility bills while fuel data is compiled from onsite meter readings. These are analysed by the Manager regularly to make informed maintenance and investment decisions.

Keppel DC REIT's portfolio has a mix of master-leased facilities as well as colocation assets¹. Only environmental data from five colocation assets is reported as the REIT is responsible for the facility management and has operational control over colocation assets but not master-leased facilities. For the purpose of comparison with 2016 full year actual data, 2017's environmental data was annualised based on nine months of actual data, as finalised full year data was not available at the time of publication of this report.

Energy Consumption

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 the REIT's data centres, an environment suitable for hosting servers has to be maintained in accordance with respective clients' service level requirements.

During the year, the facilities consumed a total of 217,027 MWh of energy, comprising fuel and electricity consumption. The year-on-year increase in energy consumption

is attributable to the addition of KDC SGP 3 to the REIT's portfolio and reporting scope. Excluding KDC SGP 3, consumption levels would have decreased marginally.

Greenhouse Gases (GHG) emissions from 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 the total electricity consumption while diesel fuel is used in data centre operations to power back-up generators in the respective facilities.

Emissions are computed based on the internationally accepted conversion factors² and classified using the GHG Protocol³. In 2017, Scope 1 carbon emissions from the use of diesel was 470 tonnes, while Scope 2 carbon emissions from electricity consumption was 108,648 tonnes. Total carbon emissions for the year amounted to 109,118 tonnes.

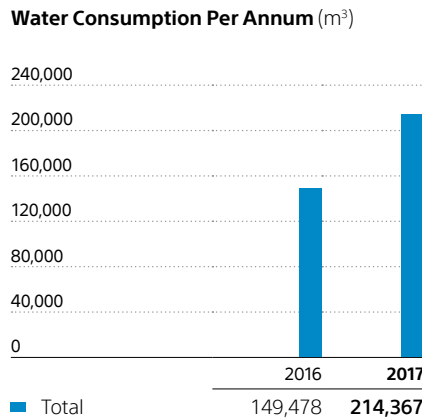
Although overall electricity usage is expected to increase in tandem with business growth, the Manager strives to implement steps and initiatives to optimise the energy usage intensity – measured by Power Usage Effectiveness (PUE) levels – of the facilities. Several of the REIT's data centres such as Gore Hill DC and KDC DUB 1 use electricity generated from renewable resources.

Water Consumption

Most of the water within the REIT's facilities are used for the chilled water cooling systems used to maintain optimal environmental

conditions for clients' mission-critical IT equipment. The water is then recirculated within the system. During the year, the facilities consumed a total of 214,367 m³ of water, more than 99% of which was from municipal sources. Non-municipal water sources comprised the use of rainwater by Gore Hill Data Centre for non-potable services.

Water consumption in 2017 rose due to the inclusion of KDC SGP 3. If KDC SGP 3 were to be excluded, water consumption would have reduced from 2016 due to the proactive efforts of the facility manager to increase the water recycling capability of its cooling towers.



Conservation Efforts

Various initiatives have been implemented by the facility managers to reduce environmental impact and ensure compliance with all local environmental regulations. Examples of these energy and water conservation measures include:

- Increase in cooling tower water recycling capability at KDC SGP 1 and KDC SGP 2 to reduce water consumption
- Installation of EcoMesh⁴ technology in Gore Hill DC to aid in the cooling of air and reduce energy consumption of the chillers. In addition, chiller step settings were enhanced to improve the performance of the chillers
- Asset enhancement works at KDC DUB 1 that will enhance overall power efficiency
- Awareness campaign in KDC DUB 1 to encourage energy-saving practices in all users and gather suggestions for energy conservation initiatives

¹ During the year, Basis Bay DC in Cyberjaya, Malaysia was converted from a master-leased facility to a colocation asset in mid-2017, while another colocation asset – KDC DUB 2 – was acquired in Ireland in September 2017. As full year data was not available at the time of reporting, we will work towards including these two assets in the next sustainability report.

² 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. Greenhouse gas emissions are reported in CO₂ for Singapore and Ireland, while Australia's is reported in CO₂e.

³ 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.

⁴ EcoMESH is a unique mesh and water spray system that improves the performance of air-cooled chillers, dry coolers and refrigeration plant whilst reducing energy consumption.



Empowering Lives

Nurturing a motivated, committed and competent talent pool ensures long-term business sustainability.



The Manager recognises that people are the foundation on which good businesses are built. The Manager is committed to nurture a motivated, committed and competent talent pool with its three-pronged human resource strategy that focuses on career development, employee welfare and employee engagement.

Profile of Employees

In the beginning of 2017, there was a reorganisation of Keppel Capital, the Manager's parent company. As part of the reorganisation, functions were centralised to maximise synergies across the various business units within Keppel Capital, including the Manager. In doing so, staff are able to enjoy increased opportunities for learning and career growth, while the Manager would be able to build bench strengths and deploy talents optimally.

The Manager has a direct head count of five as at 31 December 2017. All of them are based in Singapore and are full-time permanent executives. 60% of them are females. The Manager is supported by the centralised functions under Keppel Capital, which has a total headcount of close to 200 across six countries. The functions that support the Manager includes Asset Management, Investments, Compliance, Investor Relations, Finance, Research and Human Resources.

In 2017, there was one new hire and no resignations. The new hire is female and is above 30 years old.

Eight directors sit on the Board of Keppel DC REIT, out of which one is female.

<p>Career Development </p> <p>Objectives To nurture, develop and empower staff to attain their best potential</p> <p>Approach Performance management, talent management, learning and development</p>	<p>Employee Welfare </p> <p>Objectives To enhance overall staff wellness</p> <p>Approach Promote wellness to foster a healthy workforce</p>	<p>Employee Engagement </p> <p>Objectives To foster a cohesive identity within the company and provide open feedback channels</p> <p>Approach Encourage open two-way communication, rewards and recognition system, team-building</p>
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Policy of Non-discrimination

The Manager embraces diversity and respects the values and cultures of the communities in which it operates.

Merit-based recruitment practices that focus on individuals' competencies as well as job-fit are adopted to ensure equal employment opportunities for all, regardless of race, religion, gender, marital status or age.

As part of its commitment to non-discrimination and equal opportunities, the Manager adheres to the practices spelt out in Singapore's Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP) and strives to uphold the principles articulated in its Employer's Pledge of Fair Employment Practices, which are guided by the following five principles:

1. Recruit and select employees on the basis of merit;
2. Treat employees fairly and with respect, and implement progressive HR management systems;
3. Provide employees with equal opportunity to be considered for training and development;
4. Reward employees fairly; and
5. Abide by labour laws and uphold fair employment practices recommended by TAFEP.

The Manager's Employee Code of Conduct sets the tone in relation to its stance against discrimination. The rules of conduct apply to all employees and are aligned with the Keppel Group's Corporate Statement on Human Rights which is available online.

In 2017, there were no reported incidences of discrimination raised by the Manager's employees. None of the Manager's employees are under any collective bargaining agreements.

Provision of Benefits

The Manager complies with all the statutory regulations relating to employment terms and benefits, and offers employees competitive and sustainable compensation. All permanent employees are provided with Group insurance plans, medical coverage, leave entitlements, and contribution to the 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 paternity and maternity leave, leave for childcare, marriage, compassionate grounds and examination, as well as flexible credit points that are awarded to employees for redemption on a host of benefits such as wellness classes or healthcare subsidies.

Performance Management

The Manager advocates a performance-based culture to drive ownership of collective goals and create a high-performing environment that generates long-term value for all stakeholders. A robust performance management system ensures that permanent employees receive regular performance and career development reviews. Opportunities for advancement, promotion, recognition of achievements, compensation, training and other conditions of employment are provided based on merit. Supervisors and employees have the opportunity to jointly discuss performance goals based on targets in four key areas: Financial, Process, Customers/Stakeholders and People. These performance goals are also aligned to the Manager's scorecard.

Succession Planning and Talent Management

The Manager believes that succession planning and talent management is essential to build its bench strength and to ensure business continuity. The framework is

reviewed at least twice a year by the Board and senior management to ensure that high potential employees are identified and groomed for leadership succession.

As part of the Keppel Group, the Manager is able to leverage the talent management process that is centralised at the corporate level. Keppel Corporation's Group Human Resources drives programmes for leadership and executive development. It also coordinates information across the business units to ensure that a comprehensive and fair review of talent is undertaken.

Employees of the Manager also have opportunities to hone their leadership capabilities on internal talent development platforms such as the Keppel Young Leaders at the Group level. These platforms are designed to groom high potential employees, cultivate a global mindset and spur innovation by harnessing the collective strengths of business units across the Keppel Group.

Training and Development

The Manager recognises the importance of investing in its employees' professional development. Training and development programmes are organised for employees to expand their skill sets and keep abreast of industry trends. In 2017, the average number of training hours per full-time employee was 22 hours. It is not meaningful to provide further breakdown of training hours given the reorganisation under Keppel Capital.

To empower employees to sharpen their competencies effectively, learning and development opportunities are customised to be relevant to their respective disciplines and cater to different career stages.

Employee Engagement and Wellness

The Manager continually engages its employees to better understand their



1. Corporate activities such as the annual dinner and dance promote wellbeing and forge closer ties among employees.

2. The Manager strives to provide a nurturing environment that facilitates collaboration and innovation.

Empowering Lives

needs and expectations. Two-way feedback between senior management and employees is highly encouraged. The Manager participated in the Keppel Group's 2017 Employee Engagement Survey that measured employee satisfaction. Administered by an external consultant, the survey achieved 100% participation rate from employees of the Manager and helps senior management gather feedback to review its policies, where appropriate, to better meet employees' needs.

The health and wellbeing of employees are important to the Manager. Healthy snacks and fruits are regularly distributed to all employees to advocate good eating habits and regular health screening programmes are also made available to them. Employees are also encouraged to participate in the Keppel Games, an annual sporting competition organised across the Keppel Group to foster an active lifestyle and team spirit.

The Manager strives to create a conducive working environment for staff. As part of the reorganisation with Keppel Capital, the Manager's new shared office premises include an array of staff-centric design features. An Indoor Air Quality (IAQ) management system was installed in the Manager's office to monitor air flow and quality. Staff were also supplied with ergonomic chairs and Green Mark certified furniture to ensure a comfortable working environment for employees. In the spirit of

fostering a collaborative environment, the Manager also catered for a bistro style pantry and discussion corner, as well as relaxation zones in the office.

The Manager participated in various corporate activities during the year to promote staff wellbeing and forge closer ties among employees. In September 2017, the Manager participated in Keppel Capital's inaugural staff day, which brought together approximately 200 employees from the four asset managers.

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. The Manager also supports the "Eat with Your Family Day" initiative organised by the Centre for Fathering, a non-profit organisation that promotes the importance of family ties and recognises families as the basic unit of society.

Health and Safety

Safety is a vital part of the workplace culture and the Manager is dedicated 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.

Periodic 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 prominently displayed at various locations in the data centres.

Equipment is periodically maintained and inspected with the aid of qualified specialists, while high voltage equipment are protected through 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.

In FY 2017, there were zero fatalities in Keppel DC REIT's properties. There was, however, one non-fatal slip and fall workplace incident involving one of the facility manager's contractors. The incident was investigated and the relevant follow-up measures were taken to prevent recurrences. For its employees and facility managers, the Accident Frequency and Accident Severity Rates were zero.

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



Nurturing Communities

In 2017, a total of 702 hours were dedicated by Keppel Capital volunteers to improve the lives of the less privileged.

We are committed to contribute to the community and create positive impact wherever we operate.

As a responsible corporate citizen, the Manager strives to engage its stakeholders proactively and support initiatives that positively impact the community.

During the year, the Manager participated in a range of activities to enrich the local communities. As a member of the REIT Association of Singapore, the Manager took part in investor outreach activities to enhance the investment community's understanding of Singapore REITs and support the growth of the REIT industry in Singapore.

The Manager strives to do good as the REIT does well. Together with the other business units under Keppel Capital, the Manager supported a series of three activities that were organised in 2017 for the Muscular Dystrophy Association of Singapore (MDAS), the adopted charity of Keppel Capital. MDAS is a self-help organisation committed to uplift the lives of people with muscular dystrophy.

The first activity of the year was a trip to the Singapore Zoological Gardens in June, where the group enjoyed an afternoon of interactive activities along the zoo trail.

In July, the volunteers and beneficiaries visited KidZania Singapore, an educational indoor theme park where children can role play different real-life professions.

Volunteers partnered with beneficiaries in the role playing and assisted them.

In August, the creativity of the volunteers and beneficiaries was put to test as they teamed up to bake and decorate their cakes at The Enabling Village, a community space for social businesses and partnerships that support people with different abilities.

In November, Keppel Capital collaborated with the charity group, Metta Welfare Association (Metta), to conduct a batik painting workshop where volunteers learnt about the traditional art form under the guidance of Arts@Metta youths with special needs. Participants' batik designs were subsequently sold at Keppel's dinner and dance along with other handicrafts made by Metta, with all sales proceeds going to the charity.

In 2017, a total of 702 hours were dedicated by Keppel Capital volunteers to improve the lives of the less privileged.

In 2017, the Manager contributed \$8,000 to the Keppel Care Foundation to support the Keppel Group's various philanthropic initiatives. Keppel Care Foundation donated \$10,000 to MDAS in 2017, which included contributions from the Manager. Keppel DC REIT also contributed sponsorships to various organisations, amounting to \$9,000.

1. As part of the reorganisation with Keppel Capital, the Manager's new shared office premises include an array of staff-centric design features.

2. The Manager supported a series of activities organised for the Muscular Dystrophy Association of Singapore (MDAS), the adopted charity of Keppel Capital.



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Legend ● Requirements fully met ◐ Requirements partially met

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Legend ● Requirements fully met ○ Requirements partially met

Corporate Information

Trustee

Perpetual (Asia) Limited

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Partner-in-charge: Mr Yeow Chee Keong
(With effect from financial year ended
31 December 2017)

The Manager

Keppel DC REIT Management Pte. Ltd. (A member of Keppel Capital Holdings Pte. Ltd.)

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Company Secretary

Mr Kelvin Chua

Directors of the Manager

Mr Chan Hon Chew

Chairman and Non-Executive Director

Mr Lee Chiang Huat

Independent Director

Mr Leong Weng Chee

Independent Director

Mr Dileep Nair

Independent Director

Mr Richard Teo Cheng Hiang

Independent Director

Dr Tan Tin Wee

Independent Director

Mr Thomas Pang Thieng Hwi

Non-Executive Director

Ms Christina Tan Hua Mui

Non-Executive 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 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 2017

Perpetual (Asia) Limited (the "Trustee") 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.

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 79 to 128 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

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



Sin Li Choo
Director

Singapore
20 February 2018

Statement by the Manager

For the financial year ended 31 December 2017

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 79 to 128, comprising the Statements of Financial Position for the Group and the Trust and the Consolidated Portfolio Statement of the Group as at 31 December 2017, 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 the 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 2017, the consolidated total return of the Group, the movements in Unitholders' funds of the Group and the Trust, and the distribution statement and the consolidated cash flows of the Group for the year ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 (Revised 2017) "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.



Christina Tan Hua Mui
Director

Singapore
20 February 2018

Independent Auditor's Report to the Unitholders of Keppel DC REIT

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

Our opinion

In our opinion, the accompanying consolidated financial statements of Keppel DC REIT (the "Trust") and its subsidiaries (the "Group") and the Statement of Financial Position and Statement of Movements of Unitholders' Funds of the Trust are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants ("RAP 7"), so as to present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Trust and the consolidated portfolio statement of the Group as at 31 December 2017 and the consolidated financial performance of the Group, the consolidated amount distributable of the Group, the consolidated movements of unitholders' funds of the Group and movements in unitholders' funds of the Trust, and the consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Group and the Trust comprise:

- the statements of financial position of the Group and the Trust as at 31 December 2017;
- the consolidated statement of total return of the Group for the year ended 31 December 2017;
- the statements of movements of unitholders' funds of the Group and the Trust for the year ended 31 December 2017;
- the consolidated statement of cash flows of the Group for the year ended 31 December 2017;
- the distribution statement of the Group for the year ended 31 December 2017;
- the consolidated portfolio statement of the Group as at 31 December 2017; and
- the notes to the financial statements of the Group, including a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended 31 December 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment properties</p> <p>Refer to Note 4 – Investment Properties</p> <p>As at 31 December 2017, the carrying value of the Group's investment properties of \$1.57 billion accounted for 89.0% of the Group's total assets.</p> <p>The valuation of investment properties was a key audit matter due to the significant judgement in the key inputs used in valuation techniques. These key inputs include capitalisation rates and discount rates and are dependent on the nature of each investment property and the prevailing market conditions.</p> <p>The key inputs are disclosed in Note 24 to the accompanying financial statements.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • assessed the competence, capabilities and objectivity of the external valuers engaged by the Group; • obtained an understanding of the techniques used by the external valuers in determining the valuation of individual investment properties; • discussed the critical assumptions made by the external valuers for the key inputs used in the valuation techniques; • tested the integrity of information, including underlying lease and financial information provided to the external valuers; and • assessed the reasonableness of the capitalisation rates and discount rates by benchmarking these against those of comparable properties and prior year inputs.

Key audit matter	How our audit addressed the key audit matter
	<p>We have also assessed the adequacy of the disclosures relating to the assumptions, as we consider them as likely to be significant to users of the financial statements given the estimation uncertainty and sensitivity of the valuations.</p> <p>We found the external valuers to be members of recognised bodies for professional valuers. We also found that the valuation techniques used were appropriate in the context of the Group's investment properties and the critical assumptions used for the key inputs were within the range of market data.</p>

Other Information

The Manager is responsible for the other information. The other information comprises the information included in Report of the Trustee, and Statement by the Manager, (but does not include the financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report, and other sections of the Trust's annual report ("Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of RAP 7 and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Group or to cease the Group's operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report to the Unitholders of Keppel DC REIT

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

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeow Chee Keong.

The logo for PricewaterhouseCoopers LLP, featuring the company name in a stylized, cursive script.

PricewaterhouseCoopers LLP

Public Accountants and Chartered Accountants

Singapore
20 February 2018

Statements of Financial Position

As at 31 December 2017

	Note	Group		Trust	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non-current assets					
Investment properties	4	1,570,090	1,225,938	452,000	455,000
Investment in subsidiaries	5	–	–	772,192	515,724
Loans to subsidiaries	6	–	–	214,331	160,236
Deposit	7	13,474	12,920	–	–
Intangible assets	8	–	3,999	–	3,999
Derivative financial assets	16	1,640	1,685	295	642
Deferred tax assets	17	–	145	–	–
		1,585,204	1,244,687	1,438,818	1,135,601
Current assets					
Trade and other receivables	9	56,155	38,691	20,496	17,102
Derivative financial assets	16	631	1,663	762	1,663
Intangible assets	8	3,110	–	2,000	–
Cash and cash equivalents	10	118,182	297,958	64,834	273,742
		178,078	338,312	88,092	292,507
Total Assets		1,763,282	1,582,999	1,526,910	1,428,108
Current liabilities					
Loans from a subsidiary	13	–	–	–	3,123
Loans and borrowings	14	3,660	6,655	–	–
Trade and other payables	15	48,168	27,990	20,282	14,281
Derivative financial liabilities	16	1,396	499	442	499
		53,224	35,144	20,724	17,903
Non-current liabilities					
Loans from a subsidiary	13	–	–	546,481	436,198
Loans and borrowings	14	575,663	464,034	–	–
Derivative financial liabilities	16	1,352	2,148	516	171
Deferred tax liabilities	17	16,541	7,805	4	4
		593,556	473,987	547,001	436,373
Total Liabilities		646,780	509,131	567,725	454,276
Net assets		1,116,502	1,073,868	959,185	973,832
Represented by:					
Unitholders' funds	11	1,089,716	1,073,525	959,185	973,832
Non-controlling interests	21	26,786	343	–	–
		1,116,502	1,073,868	959,185	973,832
Units in issue ('000)	12	1,127,171	1,125,210	1,127,171	1,125,210
Net asset value per Unit (\$)		0.97	0.95	0.85	0.87

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

Consolidated Statement of Total Return

Year ended 31 December 2017

	Note	Group	
		2017 \$'000	2016 \$'000
Gross revenue	18	139,050	99,139
Property operating expenses		(13,931)	(8,203)
Net property income		125,119	90,936
Finance income		1,402	1,293
Finance costs	19	(14,671)	(12,768)
Trustees' fees		(295)	(180)
Manager's base fee		(7,216)	(5,563)
Manager's performance fee		(4,077)	(3,070)
Audit fees		(226)	(261)
Valuation fees		(200)	(276)
Net realised gains on derivatives		934	1,776
Other trust expenses		(14,660)	(207)
Net income		86,110	71,680
Net change in fair value of investment properties	4	(8,519)	(13,994)
Total return for the year before tax		77,591	57,686
Tax expenses	20	(7,317)	(6,743)
Total return for the year after tax		70,274	50,943
Total return attributable to:			
Unitholders		65,225	50,937
Non-controlling interests	21	5,049	6
Total return for the year		70,274	50,943
Earnings per Unit (cents)			
- Basic and diluted	22	5.77	5.58
- Basic and diluted (excluding net change in fair value of investment properties and their related deferred tax impact)	22	6.68	7.28

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

Statement of Movements in Unitholders' Funds

Year ended 31 December 2017

	Note	Unitholders' funds \$'000	Non-controlling interests \$'000	Total \$'000
Group				
At 1 January 2017		1,073,525	343	1,073,868
Operations				
Total return for the year		65,225	5,049	70,274
Net increase in net assets resulting from operations		65,225	5,049	70,274
Unitholders' transactions				
Distributions to Unitholders		(72,419)	-	(72,419)
Payment of management and acquisition fees in Units	12	2,376	-	2,376
Net decrease in net assets resulting from Unitholders' transactions		(70,043)	-	(70,043)
Acquisition of an interest in a subsidiary		-	23,194	23,194
Dividends paid to non-controlling interests		-	(1,835)	(1,835)
Hedging reserve				
Movement in hedging reserve	11(b)	(1,136)	-	(1,136)
Net decrease in hedging reserve		(1,136)	-	(1,136)
Foreign currency translation movement for the year		22,145	35	22,180
At 31 December 2017		1,089,716	26,786	1,116,502

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

Statement of Movements in Unitholders' Funds

Year ended 31 December 2017

	Note	Unitholders' funds \$'000	Non-controlling interests \$'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	11(b)	(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.

	Note	2017 \$'000	2016 \$'000
Trust			
At 1 January		973,832	711,951
Operations			
Total return for the year		56,932	44,195
Net increase in net assets resulting from operations		56,932	44,195
Unitholders' transactions			
Distributions to Unitholders		(72,419)	(58,458)
Net increase in net assets resulting from Unitholders' contribution	12	-	275,318
Payment of management and acquisition fees in Units	12	2,376	264
Net (decrease)/increase in net assets resulting from Unitholders' transactions		(70,043)	217,124
Hedging reserve			
Movement in hedging reserve	11(b)	(1,536)	562
Net (decrease)/increase in hedging reserve		(1,536)	562
At 31 December		959,185	973,832

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

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Total return for the year		70,274	50,943
Adjustments for:			
Tax expenses		7,317	6,743
Finance income		(1,402)	(1,293)
Finance costs		14,671	12,768
Amortisation of intangible assets	8	2,482	509
Net change in fair value of investment properties	4	8,519	13,994
Management fees paid in Units		351	264
Unrealised translation differences		19,200	(1,283)
		121,412	82,645
Changes in working capital:			
Trade and other receivables		(3,536)	(5,502)
Trade and other payables		4,647	(217)
Cash generated from operations		122,523	76,926
Net income tax paid		(4,745)	(1,180)
Net cash from operating activities		117,778	75,746
Cash flows from investing activities			
Acquisitions of interests in investment properties (Note A)		(292,714)	(110,914)
Acquisition of an intangible asset	8	(1,563)	(4,508)
Rental top up received		1,563	4,508
Additions to investment properties	4	(6,256)	(5,457)
Capital expenditures on investment properties	4	(6,169)	(4,352)
Net cash used in investing activities		(305,139)	(120,723)
Cash flows from financing activities			
Proceeds from issuance of Units	12	–	279,497
Proceeds from bank borrowings		356,661	188,808
Payment of financing transaction costs		(514)	(192)
Repayment of bank borrowings		(257,758)	(92,557)
Finance costs paid		(13,489)	(11,891)
Distributions paid to Unitholders		(72,419)	(58,458)
Dividends paid to non-controlling interests		(1,835)	(31)
Payment of transaction costs relating to fund-raising		(934)	(3,186)
Net cash generated from financing activities		9,712	301,990
Net (decrease)/increase in cash and cash equivalents		(177,649)	257,013
Cash and cash equivalents at beginning of the year		293,959	37,161
Effects of exchange rate fluctuations on cash held		(212)	(215)
Cash and cash equivalents at end of the year	10	116,098	293,959
Cash and cash equivalent balances	10	118,182	297,958
Less: Rental top up received in advance held in a designated account (Note B)		(2,084)	(3,999)
Cash and cash equivalents per Consolidated Statement of Cash Flows		116,098	293,959

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

Note A – Acquisitions of interests in investment properties

In January 2017, Keppel DC REIT announced the completion of the acquisition of a 90.0% interest in Keppel DC Singapore 3 Pte. Ltd. (“KDCS3PL”), which in turn holds KDC SGP 3, located at 27 Tampines Street 92, Singapore 528878. A business transfer agreement with Keppel DCS3 Services Pte. Ltd. (Facility Manager) was entered into to transfer the employees, contracts and assets for the purpose of providing facility management services of KDCS3PL to the Facility Manager. This acquisition has been accounted for as an asset acquisition.

In September 2017, Keppel DC REIT announced the completion of the acquisition of 100.0% interest in KDCR (Ireland) 2 Limited (formerly known as Dataplex Datacentre Limited) (“KDCR I2L”), which in turn holds Keppel DC Dublin 2 (formerly known as B10 Data Centre) located at Unit B10, Ballycoolin Business and Technology Park, Blanchardstown, Dublin 15, Ireland and on completion date, through KDCR I2L, acquired the 999-year leasehold interest of the property from Ficepot Limited. This acquisition has been accounted for as an asset acquisition.

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

This relates to the remaining rental top up payments received in advance by the Group held in a designated account for the 100.0% interest in Milan DC. These rental top up payments will be recognised periodically under other income till December 2018.

Reconciliation of liabilities arising from financing activities

	2016 \$'000	Cash flows \$'000	Non-cash changes		2017 \$'000
			Interest expense \$'000	Foreign exchange movement \$'000	
Bank borrowings	438,291	98,389	618	8,256	545,554
Finance lease liabilities	32,398	(3,900)	4,464	807	33,769
	<u>470,689</u>	<u>94,489</u>	<u>5,082</u>	<u>9,063</u>	<u>579,323</u>

Distribution Statement

Year ended 31 December 2017

	Group	
	2017 \$'000	2016 \$'000
Amount available for distribution to Unitholders at beginning of the year	31,552	28,962
Total return for the year attributable to Unitholders after tax	65,225	50,937
Net tax and other adjustments (Note A)	17,095	10,111
Amount available for distribution to Unitholders	113,872	90,010
Distributions to Unitholders:		
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)
Distribution of 2.80 cents per Unit for the period from 1/7/2016 to 31/12/2016	(31,506)	–
Distribution of 3.39 cents per Unit for the period from 1/1/2017 to 30/6/2017	(38,208)	–
Capital distribution of 0.24 cents per Unit for the period from 1/1/2017 to 30/6/2017	(2,705)	–
	(72,419)	(58,458)
Amount available for distribution to Unitholders at end of the year	41,453	31,552

Note A:

Net tax and other adjustments comprise:

	Group	
	2017 \$'000	2016 \$'000
Trustee's fees	216	180
Rental income adjustment on a straight-line basis	(1,126)	608
Amortisation of capitalised transaction costs	618	357
Net fair value losses in investment properties ¹	10,689	13,994
Foreign exchange losses / (gains)	10,329	(1,735)
Deferred tax	2,480	1,962
Amortisation of intangible assets	2,482	509
Capital distribution	2,705	–
Other net adjustments ^{1,2}	(11,298)	(5,764)
	17,095	10,111

1 Net of non-controlling interests

2 Included in other net adjustments were dividends and distribution income, finance lease charges, other non-taxable income and non-deductible expenses.

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

Consolidated Portfolio Statement

As at 31 December 2017

Description of investment properties	Location	Land tenure	Term of lease*	Remaining term of lease*	Carrying amount at fair value 2017 \$'000	Carrying amount at fair value 2016 \$'000	Percentage of total net assets 2017 %	Percentage of total net assets 2016 %
			(Years)	(Years)				
<i>Fully fitted</i>								
iseek Data Centre ("iseek DC")	Brisbane, Queensland, Australia	Leasehold	37	29	43,479	43,905	3.9	4.1
GV7 Data Centre ("GV7 DC")	Greenwich, London, England	Leasehold	199	165	68,325	67,518	6.1	6.3
Almere Data Centre ("Almere DC")	Amsterdam, The Netherlands	Freehold	Not applicable	Not applicable	143,558	137,660	12.9	12.8
<i>Shell and core</i>								
Intellicentre 2 Data Centre ("IC2 DC")	Macquarie Park, New South Wales, Australia	Freehold	Not applicable	Not applicable	51,255	49,244	4.6	4.6
Cardiff Data Centre ("Cardiff DC")	Cardiff, United Kingdom	Freehold	Not applicable	Not applicable	61,948	60,411	5.5	5.6
Milan Data Centre ("Milan DC")	Milan, Italy	Freehold	Not applicable	Not applicable	56,461	53,372	5.1	5.0
<i>Colocation</i>								
Gore Hill Data Centre ("Gore Hill DC") #	Artarmon, New South Wales, Australia	Freehold	Not applicable	Not applicable	204,000	219,672	18.3	20.5
Keppel DC Singapore 1 ("KDC SGP 1")	Serangoon, Singapore	Leasehold	60	37	286,000	279,000	25.6	26.0
Keppel DC Singapore 2 ("KDC SGP 2")	Tampines, Singapore	Leasehold	60	33	166,000	176,000	14.9	16.4
Keppel DC Singapore 3 ("KDC SGP 3")	Tampines, Singapore	Leasehold	60	34	248,300	-	22.2	-
Basis Bay Data Centre ("Basis Bay DC") ^	Cyberjaya, Malaysia	Freehold	Not applicable	Not applicable	31,350	34,936	2.8	3.2
Keppel DC Dublin 1 ("KDC DUB 1")	Dublin, Republic of Ireland	Leasehold	40	23	101,613	104,220	9.1	9.7
Keppel DC Dublin 2 ("KDC DUB 2") (f.k.a B10 DC)	Dublin, Republic of Ireland	Leasehold	999	980	107,801	-	9.6	-
Total investment properties at fair value					1,570,090	1,225,938	140.6	114.2
Other assets and liabilities (net)					(453,588)	(152,070)	(40.6)	(14.2)
Total net assets of the Group					1,116,502	1,073,868	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.

^ During the financial year, there was a change in the lease arrangement from a fully-fitted data centre to a data centre with colocation lease arrangement.

At 31 December 2017, the Group's investment properties amounting to \$1,570.1 million (2016: \$1,225.9 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 2017

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 2017 were authorised for issue by the Manager on 20 February 2018.

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") 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 #07-01, 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.

(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, KDC SGP 2 and KDC SGP 3: facility management fee of 4.0% of EBITDA derived from the underlying end-users (after deducting the fixed rent payable to the Group and operating expenses incurred for each property); and
- (ii) Gore Hill DC: facility management fee of AUD 2.6 million subject to an increase of 4.0% per annum on each anniversary of 10 March 2017, being the commencement date.

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 March 2017) "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").

The Accounting Standards Council (Singapore) has introduced a new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS (I)), that is identical to the International Financial Reporting Standards issued by the International Accounting Standards Board. The Monetary Authority of Singapore has granted the Group a waiver from compliance with the requirement under Paragraph 4.3 of Appendix 6 to the CIS Code to prepare its financial statements in accordance with FRS.

Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards

The Group has adopted SFRS (I) on 1 January 2018 and as a result, the Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS (I).

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group expects that the adoption of SFRS(I) 1 will have no material impact on the financial statements in the year of initial application, other than the election of optional exemption to reset its cumulative translation differences for all foreign operations to nil at the date of transition at 1 January 2017. As a result, the Group expects to reclassify cumulative translation losses of \$71.5 million from foreign exchange translation account to revenue reserves as at 1 January 2017. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

In addition to the adoption of SFRS(I)s, the following SFRS(I)s, and amendments and interpretations of SFRS(I)s that are relevant to the Group and the Company are effective on or after the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers*
- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 16 *Leases*
- Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*
- Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

The management anticipates that the adoption of the above standards and interpretations in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for those disclosed under Note 3.18.

FRS 7 Statement of cash flows

The Group has adopted the amendments to FRS 7 Statement of cash flows (Disclosure initiative) on 1 January 2017. It sets out the required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in the Consolidated Statement of Cash Flows.

Notes to the Financial Statements

2 Basis of Preparation (continued)

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 fair value of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment and whenever there is indication that the goodwill may be impaired.

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 all 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.

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 ("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 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 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 translation reserve in Unitholders' funds.

Notes to the Financial Statements

3 Significant Accounting Policies (continued)

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.

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet. For cash received in advance held in a designated rental top up, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

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.

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 and Note 23.

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 16 and 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 assets in relation to the rental top up (Note 8) will be amortised over the relevant top up periods.

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.

Notes to the Financial Statements

3 Significant Accounting Policies (continued)

3.8 Impairment (continued)

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 and only 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.

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.

Power revenue

Power revenue derived from clients is recognised in the statement of total return when there is provision of power to the clients.

Service revenue

Service revenue derived from clients is recognised in the statement of total return as and when the services are rendered.

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

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 income tax

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.

Notes to the Financial Statements

3 Significant Accounting Policies (continued)

3.14 Income Tax (continued)

Deferred tax (continued)

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.

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 Netherlands 4 Pte. Ltd., KDCR UK 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 Segments

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 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 in the statement of total return.

3.17 Significant Accounting Estimates and Judgments

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 included in Note 4 – Investment Properties and Note 24 – Fair Value of Assets and Liabilities.

3.18 New Standards and Interpretations not Adopted

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2018 and which the Group has not early adopted:

SFRS (I) 15 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)

This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of SFRS (I) 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

SFRS (I) 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Notes to the Financial Statements

3 Significant Accounting Policies (continued)

3.18 New Standards and Interpretations not Adopted (continued)

The application of SFRS (I) 15 may further result in the identification of separate performance obligation which could affect the timing of the recognition of revenue going forward.

Lease income which is the Group's main source of revenue does not fall within the scope of SFRS (I) 15. The standard is not expected to have significant impact to the financial statements of the Group.

SFRS(I) 9 Financial instruments (effective for annual periods beginning on or after 1 January 2018)

The complete version of SFRS(I) 9 replaces most of the guidance in FRS 39. SFRS(I) 9 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

The Manager has reviewed the Group financial assets and liabilities and does not expect any significant impact from the adoption of the new standard on 1 January 2018. There is no change in the measurement of the Group's financial assets.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of SFRS(I) 9.

Changes in the fair value of foreign exchange forward contracts attributable to forward points, and in the time value of the option contracts, will in future be deferred in a new costs of hedging reserve within equity. The deferred amounts will be recognised against the related hedged transaction when it occurs.

The new impairment model requires the recognition of impairment provisions based on Expected Credit Losses (ECL) rather than only incurred credit losses as is the case under FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under SFRS (I) 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group is not expected to have any significant credit loss on the adoption of new standard.

The new standard also introduces expanded disclosure requirements and changes in presentation. The standard is not expected to have any significant impact on the financial statements of the Group.

SFRS (I) 16 Leases (effective for annual periods beginning on or after 1 January 2019)

SFRS (I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group does not have any non-cancellable operating lease commitments.

The standard is not expected to have a significant impact on the financial statements of the Group.

4 Investment Properties

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At 1 January	1,225,938	1,102,685	455,000	454,000
Acquisitions				
- during the year	327,143	110,914	-	-
- reversal of recoverable from a related corporation ^(e)	-	12,403	-	12,403
- payable to a related corporation ^(e)	-	5,938	-	5,938
	327,143	129,255	-	18,341
Additions ^(a)	6,256	5,457	-	-
Capital expenditure	6,169	4,352	4,145	2,709
Change in fair value	(8,519)	(13,994)	(7,145)	(20,050)
Translation differences on consolidation	13,103	(1,817)	-	-
At 31 December	1,570,090	1,225,938	452,000	455,000

- (a) Investment properties are stated at fair value based on valuations performed by independent valuers, Savills Valuation And Professional Services (S) Pte. Ltd., Jones Lang Lasalle Limited and Cushman & Wakefield (Valuations) Pty Ltd. (2016: Savills Valuation And Professional Services (S) Pte. Ltd., DTZ Australia (NSW) trading as Cushman & Wakefield, CIVAS Limited trading as Colliers International and CB Richard Ellis Limited). 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 20 January 2017, Keppel DC REIT announced the completion of the acquisition of a 90.0% interest in KDCS3PL, which in turn holds KDC SGP 3, located at 27 Tampines Street 92, Singapore 528878. A business transfer agreement with Keppel DCS3 Services Pte. Ltd. (Facility Manager) was entered into to transfer the employees, contracts and assets for the purpose of providing facility management services of KDCS3PL to the Facility Manager. This acquisition has been accounted for as an asset acquisition.

On 12 September 2017, Keppel DC REIT announced the completion of the acquisition of 100.0% interest in KDCR 12L, which in turn holds KDC DUB 2 located at Unit B10, Ballycoolin Business and Technology Park, Blanchardstown, Dublin 15, Ireland and on completion date, through KDCR 12L, acquired the 999-year leasehold interest of the property from Ficepot Limited. This acquisition has been accounted for as an asset acquisition.

Notes to the Financial Statements

4 Investment Properties (continued)

- (c) On 6 October 2016, the Group completed the acquisition of a 100.0% interest in the shell and core building of Cardiff DC in Cardiff, United Kingdom.
- (d) On 21 October 2016, the Group completed the acquisition of a 100.0% interest in the shell and core building of Milan DC in Milan, Italy.
- (e) The adjustment in purchase consideration of the KDC SGP 1 and KDC SGP 2 arose from the revision to the property tax payable based on indemnities provided by the relevant sale and purchase agreements.
- (f) The Group entered into leases in iseek DC and KDC DUB 1 as lessees under finance lease arrangements. The total carrying values of the investment properties were \$145.1 million (2016: \$148.1 million) for iseek DC and KDC DUB 1. Under these arrangements, the Group leased for 30 years to 2040 with a seven year renewal option and 40 years to 2041 for iseek DC and KDC DUB 1 respectively.
- (g) The additions include transaction-related costs and any costs other than capital expenditures capitalised as part of the investment properties.

5 Investment in Subsidiaries

	Trust	
	2017 \$'000	2016 \$'000
Investment in subsidiaries, at cost		
At 1 January	515,724	390,454
Incorporation/acquisition of subsidiaries ^(c)	256,468	121,739
Capital injection	–	3,531
At 31 December	772,192	515,724

Details of the subsidiaries are as follows:

Name of entities	Principal activities	Place of incorporation/ business	Effective equity held by the Trust	
			2017 %	2016 %
<i>Subsidiaries held by the Trust</i>				
KDCR 1 Limited ^(b)	Investment holding	Guernsey	100	100
KDCR 2 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. ^(a)	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 Netherlands 3 Pte. Ltd.	Investment holding	Singapore	100	100
KDCR Netherlands 4 Pte. Ltd.	Investment holding	Singapore	100	100
KDCR Ireland Pte. Ltd.	Investment holding	Singapore	100	100
KDCR Ireland 2 Pte. Ltd. ^(c)	Investment holding	Singapore	100	-
Keppel DC REIT Fin. Company Pte. Ltd.	Provision of financial and treasury services	Singapore	100	100
Keppel DC REIT MTN Pte. Ltd. ^(c)	Provision of treasury services	Singapore	100	-
KDCR Australia Pte. Ltd.	Investment holding	Singapore	100	100
KDCR Australia Trust ^(b)	Investment holding	Australia	100	100
KDCR UK Pte. Ltd.	Investment holding	Singapore	100	100
Keppel DC Singapore 3 LLP ^(c)	Provision of colocation and services and related services	Singapore	90	-

Notes to the Financial Statements

5 Investment in Subsidiaries (continued)

Name of entities	Principal activities	Place of incorporation / business	Effective equity held by the Trust	
			2017 %	2016 %
<i>Subsidiaries held through KDCR 1 Limited</i>				
KDCR Australia Trust No.1 ^(b)	Investment in real estate properties	Australia	100	100
KDCR Australia 1 Pty Limited ^(b)	Trustee	Australia	100	100
<i>Subsidiary held through KDCR Australia Trust No.1</i>				
Iseek Facilities Pty Ltd ^(b)	Data centre services	Australia	100	100
<i>Subsidiaries held through KDCR 2 Limited</i>				
KDCR Australia Trust No.2 ^(b)	Investment in real estate properties	Australia	100	100
KDCR Australia 2 Pty Limited ^(b)	Trustee	Australia	100	100
<i>Subsidiary held through KDCR Australia Trust</i>				
KDCR Australia Sub-Trust 1 ^(b)	Investment in real estate properties	Australia	100	100
<i>Subsidiary held through KDCR GVP Pte. Ltd.</i>				
Greenwich View Place Limited ^(b)	Investment in real estate properties	Guernsey	100	100
<i>Subsidiary held through KDCR Netherlands 1 Pte. Ltd.</i>				
KDCR Netherlands B.V. ^(b)	Investment holding	The Netherlands	100	100
<i>Subsidiary held through KDCR Netherlands B.V.</i>				
KDCR Almere B.V. ^(b)	Investment in real estate properties	The Netherlands	100	100

Name of entities	Principal activities	Place of incorporation / business	Effective equity held by the Trust	
			2017 %	2016 %
<u>Subsidiary held through KDCR Ireland Pte. Ltd.</u>				
KDCR (Ireland) Limited ^(a)	Investment in real estate properties and provision of data services and colocation services	Republic of Ireland	100	100
<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>Subsidiaries held through KDCR Ireland 2 Pte. Ltd.</u>				
KDCR Ireland Fin. Company Limited ^(c)	Provision of financial and treasury services	Republic of Ireland	100	-
KDCR Ireland Holdings Limited ^(c)	Investment holding	Republic of Ireland	100	-
<u>Subsidiary held through KDCR Ireland Holdings Limited</u>				
KDCR (Ireland) 2 Limited ^{(a)(c)}	Investment in real estate properties	Republic of Ireland	100	-
<u>Subsidiary held through KDCR UK Pte. Ltd.</u>				
KDCR Cardiff Limited ^(b)	Investment in real estate properties	Guernsey	100	100
<u>Subsidiary held through KDCR Netherlands 4 Pte. Ltd.</u>				
KDCR Netherlands 4 B.V. ^(b)	Investment holding	The Netherlands	100	100
<u>Subsidiary held through KDCR Netherlands 4 B.V.</u>				
MarLux S.à.r.l ^(b)	Investment holding	Luxemburg	100	100
<u>Subsidiary held through MarLux S.à.r.l</u>				
BI71 SRL ^(b)	Investment in real estate properties	Italy	100	100

(a) PwC LLP is the auditor of the Singapore-incorporated subsidiaries, the Australia-constituted trusts and significant foreign-incorporated subsidiaries except for KDCR (Ireland) Limited, KDCR (Ireland) 2 Limited and Basis Bay Capital Management Sdn Bhd, which are audited by Grant Thornton, Ireland, Deloitte & Touche, Ireland and McDonald Carter, Malaysia respectively.

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 Ireland 2 Pte. Ltd., KDCR Ireland Fin. Company Limited, KDCR Ireland Holdings Limited and Keppel DC REIT MTN Pte. Ltd.. The Group acquired interests in Keppel DC Singapore 3 Pte. Ltd. and KDCR (Ireland) 2 Limited. for a total of \$209.3 million and \$47.1 million in relation to the acquisitions of Keppel DC Singapore 3 and Keppel DC Dublin 2 on 20 January 2017 and 12 September 2017 respectively.

On 25 January 2017, Keppel DC Singapore 3 Pte. Ltd. was converted to Keppel DC Singapore 3 LLP (KDCS3 LLP) a limited liability partnership pursuant to section 21 of the Limited Liability Partnership Act (Chapter 163A of Singapore) to regulate the relationship between them inter se as partners of KDCS3 LLP.

Notes to the Financial Statements

6 Loans to Subsidiaries

	Trust	
	2017 \$'000	2016 \$'000
Loans to subsidiaries	92,842	94,763
Quasi-equity loans to subsidiaries	121,489	65,473
	214,331	160,236

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% (2016: 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 \$13.5 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% (2016: 7.15%) per annum.

8 Intangible Assets

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At 1 January	3,999	-	3,999	-
Additions	1,593	4,508	-	4,508
Amortisation	(2,482)	(509)	(1,999)	(509)
At 31 December	3,110	3,999	2,000	3,999

The intangible assets relate to a rental top up provided by the vendors of Milan DC and KDC DUB 2. The remaining rental support is available for the next 1 year (2016: 2 years).

9 Trade and Other Receivables

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade receivables	17,990	5,779	5,089	87
Accrued income	6,529	5,564	3,819	5,195
Other receivables	6,590	2,039	2,053	1,441
Amount due from subsidiaries	–	–	6,697	8,213
Loans and receivables	31,109	13,382	17,658	14,936
Prepayments	313	1,512	17	29
Deferred lease receivables	24,733	23,797	2,821	2,137
	56,155	38,691	20,496	17,102

Trade receivables are receivable within 3 months.

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.

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

10 Cash and Cash Equivalents

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Bank balances	83,972	252,517	30,624	228,301
Short-term deposits	34,210	45,441	34,210	45,441
Cash and cash equivalents in the Statements of Financial Position	118,182	297,958	64,834	273,742
Less: Rental top up received in advance held in a designated account	(2,084)	(3,999)	–	–
Cash and cash equivalents in the Consolidated Statement of Cash Flows	116,098	293,959	64,834	273,742

The cash and cash equivalents disclosed above include the cash acquired from the acquisition of interests in KDCS3 LLP (\$23.4 million) and KDCR I2L (\$5.0 million).

Notes to the Financial Statements

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.

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At 1 January	851	3,400	1,635	1,073
Fair value (losses)/ gains	(1,136)	(2,549)	(1,536)	562
At 31 December	(285)	851	99	1,635

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% of the Group's deposited properties. The Group has complied with this requirement and all externally imposed capital requirements for the financial years ended 31 December 2017 and 31 December 2016.

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	
	2017 \$'000	2016 \$'000
Gross bank borrowings (Note 14)	546,481	439,321
Less: cash and cash equivalents (Note 10)	(118,182)	(297,958)
(1) Net borrowings	428,299	141,363
(2) Total Unitholders' funds and liabilities	1,736,496	1,582,656
Net debt to total funding ratio at end of the year	0.25	0.09

There were no significant changes in the Manager's approach to capital management for the Group during the year.

12 Units in Issue

	Group and Trust			
	2017		2016	
	No. of Units	\$'000	No. of Units	\$'000
Units in issue:				
At 1 January	1,125,209,991	1,078,502	882,976,595	802,920
Issue of Units:				
Management fees	285,298	351	244,519	264
Acquisition fees	1,676,047	2,025	-	-
Preferential offering of Units	-	-	241,988,877	279,497
Issue expenses	-	-	-	(4,179)
At 31 December	1,127,171,336	1,080,878	1,125,209,991	1,078,502

In 2017, the Trust issued 285,298 new Units (2016: 244,519) to the Manager as payment of 100.0% of the base fees and performance fees in respect of IC2 DC for the period from 1 October 2016 to 30 September 2017 (2016: 1 October 2015 to 30 September 2016).

The Trust also issued 1,676,047 new Units to the Manager as payment of acquisition fees for the acquisition of the 90.0% interest in Keppel DC Singapore 3 LLP.

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.

Notes to the Financial Statements

13 Loans from a Subsidiary

Trust

The loans from a subsidiary are unsecured, interest-bearing, and have loan maturities of two to five years (2016: one to five years) with interest ranging from 0.48% to 3.59% (2016: 0.85% to 3.44%) per annum.

Terms and debt repayment schedule

Terms and conditions of loans from a subsidiary are as follows:

	Interest rate % per annum	Year of maturity	2017		2016	
			Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Trust						
Non-current liabilities						
Loans from a subsidiary	0.48 - 3.59 (2016: 0.85 - 3.44)	2019 - 2023 (2016: 2018 - 2021)	546,481	546,481	436,198	436,198
Current liabilities						
Loans from a subsidiary	2017: Nil (2016: 0.85 - 3.44)	2017: Nil (2016: 2017)	-	-	3,123	3,123

14 Loans and Borrowings

	Group	
	2017 \$'000	2016 \$'000
Non-current liabilities		
Bank borrowings	546,481	436,198
Capitalised transaction costs of debt financing	(927)	(1,030)
	545,554	435,168
Finance lease liabilities	30,109	28,866
	575,663	464,034
Current liabilities		
Bank borrowings	-	3,123
Finance lease liabilities	3,660	3,532
	3,660	6,655
Total loans and borrowings	579,323	470,689

Borrowings for the Group denominated in currencies other than the Group's presentation currency amounted to \$416.5 million (2016: \$309.3 million). These balances are denominated in Australian Dollar ("AUD"), Euro ("EUR") and British Pound ("GBP"). The loans and borrowings are carried at amortised cost.

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			
2017			
Within one year	4,002	342	3,660
Between one and five years	16,913	5,769	11,144
More than five years	111,034	92,069	18,965
	<u>131,949</u>	<u>98,180</u>	<u>33,769</u>
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>

As at 31 December 2017 and 31 December 2016, the Trust does not have any external loans, borrowings and finance lease liabilities.

Terms and debt repayment schedule

Terms and conditions of outstanding financial liabilities are as follows:

	Interest rate % per annum	Year of maturity	2017		2016	
			Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Group						
Bank borrowings	0.48 - 3.59 (2016: 0.85 - 3.44)	2019 - 2023 (2016: 2017 - 2021)	546,481	546,481	439,321	439,321
Finance lease liabilities	13.00 - 15.09 (2016: 13.00 - 15.09)	2040 - 2041 (2016: 2040 - 2041)	131,949	33,769	132,907	32,398
			<u>678,430</u>	<u>580,250</u>	<u>572,228</u>	<u>471,719</u>

15 Trade and Other Payables

	Group		Trust	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade payables	3,138	1,557	791	768
Amount due to subsidiaries	-	-	5,717	1,779
Current tax payables	10,332	7,184	906	330
Interest payables	516	359	-	-
Other payables and accruals	34,182	18,890	12,868	11,404
	<u>48,168</u>	<u>27,990</u>	<u>20,282</u>	<u>14,281</u>

Amount due to subsidiaries are non-trade, unsecured, interest-free and repayable on demand.

As at 31 December 2017 and 31 December 2016, other payables and accruals mainly relate to unearned revenue, accruals for management fees, audit fees, valuation fees and other expenses.

Trade and other payables, excluding current tax payables, are carried at amortised cost.

Notes to the Financial Statements

16 Derivative Financial Instruments

	Maturity	Contract/ Notional amount \$'000	Assets \$'000	Liabilities \$'000
Group				
2017				
Current				
Forward exchange contracts	2018	28,892	631	(311)
Interest rate swaps	2018	154,609	-	(1,085)
			631	(1,396)
Non-current				
Forward exchange contracts	2019	31,546	116	(337)
Interest rate swaps	2019-2023	468,623	1,524	(1,015)
			1,640	(1,352)
2016				
Current				
Forward exchange contracts	2017	36,952	1,663	(499)
Non-current				
Forward exchange contracts	2018	17,764	642	(171)
Interest rate swaps	2018-2021	361,539	1,043	(1,977)
			1,685	(2,148)
Trust				
2017				
Current				
Forward exchange contracts	2018	28,892	631	(311)
Interest rate swaps	2018	21,346	131	(131)
			762	(442)
Non-current				
Forward exchange contracts	2019	31,546	116	(337)
Interest rate swaps	2019-2022	31,370	179	(179)
			295	(516)
2016				
Current				
Forward exchange contracts	2017	36,952	1,663	(499)
Non-current				
Forward exchange contracts	2018	17,764	642	(171)

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 1.32% to 3.59% (2016: 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 loss of \$1,136,000 (2016: fair value loss of \$2,549,000) and fair value loss of \$1,536,000 (2016: fair value gain of \$562,000) were included in hedging reserve in respect of these contracts for the Group and the Trust respectively during the financial year.

17 Deferred Taxation

Deferred tax assets and liabilities are attributable to the following:

	Group		Group	
	Assets 2017 \$'000	Liabilities 2017 \$'000	Assets 2016 \$'000	Liabilities 2016 \$'000
Investment properties	-	(20,890)	-	(14,628)
Tax losses carried forward	4,349	-	6,968	-
	4,349	(20,890)	6,968	(14,628)
Offset	(4,349)	4,349	(6,823)	6,823
Deferred tax assets/(liabilities)	-	(16,541)	145	(7,805)

Movement in temporary differences during the year:

	At 1 January \$'000	Recognised in profit or loss \$'000	Exchange difference \$'000	Acquisition \$'000	At 31 December \$'000
Group					
2017					
Investment properties	(14,628)	330	(540)	(6,052)	(20,890)
Tax losses carried forward	6,968	(2,810)	191	-	4,349
Net deferred tax liabilities	(7,660)	(2,480)	(349)	(6,052)	(16,541)

The deferred tax liabilities disclosed above includes the deferred tax liability of \$6.1 million acquired from the acquisition of interest in KDCS3 LLP.

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)

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 2017 and 31 December 2016, 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	
	2017 \$'000	2016 \$'000
Rental income	134,630	97,155
Power related revenue	339	415
Other revenue	4,081	1,569
	139,050	99,139

Power related revenue refers to the recovery of power costs from clients. Other revenue mainly refers to rental top up income provided by the vendors of overseas assets and non-recurring service fee charged to clients as stipulated in the lease agreements.

Contingent rent recognised as rental income amounted to \$54.1 million (2016: \$31.5 million).

19 Finance Costs

	Group	
	2017 \$'000	2016 \$'000
Interest expense for bank borrowings	9,589	8,098
Amortisation of:		
- finance lease charges	4,464	4,313
- capitalised transaction costs of debt financing	618	357
	14,671	12,768

20 Tax Expenses

	Group	
	2017 \$'000	2016 \$'000
Current tax expense	4,837	4,781
Deferred tax - origination and reversal of temporary differences	2,480	1,962
	7,317	6,743
Reconciliation of effective tax rate		
Total return before tax	77,591	57,686
Tax calculated using Singapore tax rate of 17% (2016: 17%)	13,190	9,807
Effects of tax rates in foreign jurisdictions	(1,035)	4,462
Income not subject to tax	(6,734)	(8,502)
Non-deductible expenses	10,846	3,945
Utilisation of previously unrecognised tax benefits	(795)	(215)
Effect of unrecognised temporary differences	849	1,715
Tax transparency	(9,004)	(4,469)
	7,317	6,743

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 Interests

As at 31 December 2017 and 31 December 2016, non-controlling interest in relation to Basis Bay Capital Management Sdn. Bhd. is not significant to both the statement of financial position and consolidated statement of total return of the Group.

As at 31 December 2017, non-controlling interest in relation to Keppel DC Singapore 3 LLP is significant to the Group. Set out below are the summarised financial information for Keppel DC Singapore 3 LLP. These are presented before inter-company eliminations.

	Keppel DC Singapore 3 LLP
<i>Summarised balance sheet</i>	\$'000
Current	
Assets	30,073
Liabilities	(8,285)
Total current net assets	<u>21,788</u>
Non-current	
Assets	248,300
Liabilities	(6,052)
Total non-current net assets	<u>242,248</u>
Net assets	<u>264,036</u>
<i>Summarised income statement</i>	
Revenue	29,403
Profit before tax	50,156
Income tax	(66)
Profit after tax	50,090
Other comprehensive income	-
Total comprehensive income	50,090
Total comprehensive income allocated to non-controlling interest	5,009
Dividends paid to non-controlling interest	(1,821)
<i>Summarised cash flows</i>	
Cash flows from operating activities	
Cash generated from operations	35,282
Income tax paid	(3,072)
Net cash generated from operating activities	32,210
Net cash used in investing activities	(2,954)
Net cash used in financing activities	(18,207)
Net increase in cash and cash equivalents	11,049
Cash and cash equivalent at the beginning of financial year	12,317
Cash and cash equivalent at the end of financial year	<u>23,366</u>

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	
	2017 \$'000	2016 \$'000
Total return attributable to Unitholders	65,225	50,937
Total return attributable to Unitholders (excluding net change in fair value of investment properties and their related deferred tax impact)	75,510	66,469
	Number of Units	
	2017 ('000)	2016 ('000)
Weighted average number of Units:		
- outstanding during the year	913,537	882,938
- effects of Units issued	216,347	30,599
Weighted average number of Units during the year	1,129,884	913,537
	Group	
	2017	2016
Basic and diluted earnings per Unit (cents)	5.77	5.58
Basic and diluted earnings per Unit (cents) (excluding net change in fair value of investment properties and their related deferred tax impact)	6.68	7.28

(b) Distribution per Unit

The calculation of distribution per Unit for the financial year is based on:

	Group	
	2017 \$'000	2016 \$'000
Total amount available for distribution for the year	82,320	61,048
Distribution per Unit (cents)	7.12	6.14

The amount available for distribution for the financial year included capital expenditure reserves set aside for KDC SGP 3 of \$2.1 million (2016: nil) pursuant to a lease agreement.

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 20.4% (2016: 20.8%) 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 18.7% (2016: 34.6%) 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				
2017				
Non-derivative financial liabilities				
Bank borrowings	(546,481)	-	(472,859)	(73,622)
Finance lease liabilities	(131,949)	(4,002)	(16,913)	(111,034)
Trade and other payables	(37,836)	(37,836)	-	-
	<u>(716,266)</u>	<u>(41,838)</u>	<u>(489,772)</u>	<u>(184,656)</u>
Derivative financial instruments				
Forward foreign exchange contracts				
- Outflow	(60,221)	(28,544)	(31,677)	-
- Inflow	60,438	28,892	31,546	-
Interest rate swaps	(40,606)	(10,727)	(29,269)	(610)
	<u>(40,389)</u>	<u>(10,379)</u>	<u>(29,400)</u>	<u>(610)</u>
2016				
Non-derivative financial liabilities				
Bank borrowings	(439,321)	(3,123)	(436,198)	-
Finance lease liabilities	(132,907)	(3,863)	(15,922)	(113,122)
Trade and other payables	(20,806)	(20,806)	-	-
	<u>(593,034)</u>	<u>(27,792)</u>	<u>(452,120)</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	-
Interest rate swaps	(27,260)	(9,113)	(18,147)	-
	<u>(25,617)</u>	<u>(7,946)</u>	<u>(17,671)</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				
2017				
Non-derivative financial liabilities				
Loans from a subsidiary	(587,087)	(10,727)	(502,128)	(74,232)
Trade and other payables	(19,376)	(19,376)	-	-
	<u>(606,463)</u>	<u>(30,103)</u>	<u>(502,128)</u>	<u>(74,232)</u>
Derivative financial instruments				
Forward foreign exchange contracts				
- Outflow	(60,221)	(28,544)	(31,677)	-
- Inflow	60,438	28,892	31,546	-
	<u>217</u>	<u>348</u>	<u>(131)</u>	<u>-</u>
2016				
Non-derivative financial liabilities				
Loans from a subsidiary	(466,581)	(12,236)	(454,345)	-
Trade and other payables	(13,951)	(13,951)	-	-
	<u>(480,532)</u>	<u>(26,187)</u>	<u>(454,345)</u>	<u>-</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>

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 2017 \$'000	Notional amount 2016 \$'000
Fixed rate instruments		
Interest rate swaps	(623,232)	(361,539)
Finance lease liabilities	(33,769)	(32,398)
Variable rate instruments		
Bank borrowings	(546,481)	(439,321)
Interest rate swaps	623,232	361,539

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.

As at 31 December 2017 and 31 December 2016, 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.

As at 31 December 2017 and 31 December 2016, the Trust is not exposed to significant floating rate risk.

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 flows \$'000	Within 1 year \$'000	Within 1 to 2 years \$'000	Within 2 to 5 years \$'000
Group					
2017					
Interest rate swaps					
Assets	1,524	1,078	(371)	(338)	1,787
Liabilities	(2,100)	(2,350)	(1,716)	(474)	(160)
	<u>(576)</u>	<u>(1,272)</u>	<u>(2,087)</u>	<u>(812)</u>	<u>1,627</u>
Forward exchange contracts					
Assets	747	747	631	116	-
Liabilities	(648)	(648)	(311)	(337)	-
	<u>99</u>	<u>99</u>	<u>320</u>	<u>(221)</u>	<u>-</u>
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>

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's exposure to fluctuations in foreign currency rates relates primarily to its receivables, borrowings and payables that are denominated in a currency other than the presentation currency of the Group. The Group has material receivables, borrowings and payables denominated in foreign currencies in AUD, EUR and GBP. 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 \$60.4 million (2016: \$54.7 million). The net positive fair value of forward foreign exchange contracts is \$0.1 million (2016: \$1.6 million) comprising assets of \$0.7 million (2016: \$2.3 million) and liabilities of \$0.6 million (2016: \$0.7 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:

	2017			2016		
	AUD \$'000	EUR \$'000	GBP \$'000	AUD \$'000	EUR \$'000	GBP \$'000
Group						
Trade receivables and other receivables	4,311	9,294	135	3,111	3,623	-
Bank borrowings	(87,055)	(241,759)	(87,667)	(91,979)	(131,850)	(85,492)
Trade payables and other payables	(2,562)	(11,135)	(2,263)	(2,257)	(3,930)	(2,171)
Add: Forward exchange contracts	12,657	33,666	14,115	21,340	19,594	9,749
Net statement of financial position exposure	<u>(72,649)</u>	<u>(209,934)</u>	<u>(75,680)</u>	<u>(69,785)</u>	<u>(112,563)</u>	<u>(77,914)</u>
Trust						
Trade receivables and other receivables	4,993	839	98	7,141	231	-
Trade payables and other payables	(198)	(3,580)	(1,686)	(215)	(3,704)	(1,692)
Loans from a subsidiary	(87,055)	(241,759)	(87,667)	(91,979)	(131,850)	(85,492)
Loans to subsidiaries	128,357	85,974	-	131,012	29,224	-
Add: Forward exchange contracts	12,657	33,666	14,115	21,340	19,594	9,749
Net statement of financial position exposure	<u>58,754</u>	<u>(124,860)</u>	<u>(75,140)</u>	<u>67,299</u>	<u>(86,505)</u>	<u>(77,435)</u>

Sensitivity analysis:

A 10% (2016: 10%) strengthening of the Group's presentation currency 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	
	2017 \$'000	2016 \$'000
AUD	7,265	6,979
EUR	20,993	11,256
GBP	7,568	7,791
	<u>35,826</u>	<u>26,026</u>

A 10% (2016: 10%) weakening of the Group's presentation currency 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.

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 information has not been disclosed for the Trust's interest bearing amounts owing by subsidiaries that are carried at cost because their fair value cannot be measured reliably as the amounts have no fixed repayment terms.

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.

Notes to the Financial Statements

24 Fair Value of Assets and Liabilities (continued)

Assets and liabilities carried at fair value

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group				
2017				
Derivative financial assets	-	2,271	-	2,271
Investment properties	-	-	1,570,090	1,570,090
	-	2,271	1,570,090	1,572,361
Derivative financial liabilities	-	(2,748)	-	(2,748)
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)
Trust				
2017				
Derivative financial assets	-	1,057	-	1,057
Investment properties	-	-	452,000	452,000
	-	1,057	452,000	453,057
Derivative financial liabilities	-	(958)	-	(958)
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)

There were no transfers between levels of the fair value hierarchy during the years ended 31 December 2017 and 31 December 2016.

Movement in Level 3 fair values of investment properties for the financial year is as shown in Note 4.

Level 3 fair values

The following table shows the valuation techniques 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 10.75% (2016: 6.00% to 11.00%)	The estimated fair value varies inversely against the capitalisation rate.
Discounted cash flow approach	Discount rate: 5.25% to 11.75% (2016: 6.00% to 12.25%) Terminal yield rate: 5.00% to 12.25% (2016: 6.50% to 12.25%)	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.

Notes to the Financial Statements

25 Related Party Transactions

For the purpose of these financial statements, parties are considered to be related to the Group when the Group 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 with a Unitholder that has significant influence. Other than disclosed elsewhere in the financial statements, the following are significant transactions with related parties on terms agreed between the parties.

	Group	
	2017 \$'000	2016 \$'000
Fixed rental income from related corporations	12,770	8,253
Variable rental income from related corporations	51,749	31,484
Management base fees to the Manager	(7,216)	(5,563)
Management performance fees to the Manager	(4,077)	(3,070)
Acquisition fees to the Manager	(3,062)	(1,154)
Facility management fees to related corporations	(4,850)	(3,764)
Recharge of expenses from a related corporation	(192)	(354)
Support services fee to a related corporation	(563)	(541)
Adjustment in purchase consideration of Singapore properties to related corporations	-	(5,938)
Purchase consideration in relation to 90% interest in KDC SGP3	(206,339)	-
Colocation guarantee income from a related corporation	702	-
Recovery of expenses paid/incurred on behalf of a related corporation	995	-

26 Commitments and Contingencies

Operating lease commitments (as lessor)

The Group has future minimum payments receivable under non-cancellable operating leases as follows:

	Group	
	2017 \$'000	2016 \$'000
Within one year	82,140	58,262
Between one and five years	289,029	213,403
More than five years	358,424	307,598
	729,593	579,263

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	
	2017 \$'000	2016 \$'000
Within one year	4,002	3,863
Between one and five years	16,913	15,922
More than five years	111,034	113,122
	131,949	132,907

As at 31 December 2017 and 31 December 2016, the Trust does not have finance lease liabilities nor finance lease commitments.

Guarantees

As at 31 December 2017, the Group has provided corporate and bank guarantees of approximately \$6.4 million (2016: Nil) each to the sellers of a subsidiary acquired during the year in the event that the subsidiary receives additional power by 31 December 2018 for its data centre. The Group has also provided bank guarantee of approximately \$0.6 million (2016: \$0.6 million) to a lessor under a lease agreement.

As at 31 December 2017, the Trust has provided a corporate guarantee of approximately \$6.4 million (2016: Nil) to the sellers of a subsidiary acquired during the year in the event that the subsidiary receives additional power by 31 December 2018 for its data centre. The Trust has also provided corporate guarantees amounting to approximately \$546.5 million (2016: \$439.3 million) to the banks for loan facilities obtained by a subsidiary.

27 Financial Ratios

	Group	
	2017 %	2016 %
Expenses to average net assets ¹		
- including asset management fees	1.48	1.34
- excluding asset management fees	0.46	0.30
	Group	
	2017	2016
Operating expenses ² (\$'000)	35,252	25,303
Operating expenses ² to net asset value as at 31 December (%)	3.20	2.36

- 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 balances.
- 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 13 (2016: 11) 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.

Notes to the Financial Statements

28 Operating Segments (continued)

Information about reportable segments

By type of asset

	2017			Total \$'000
	Colocation \$'000	Fully fitted \$'000	Shell and core \$'000	
Gross revenue	98,837	22,756	17,457	139,050
Net property income	86,624	22,270	16,225	125,119
Finance income	399	972	31	1,402
Finance costs	(8,096)	(4,084)	(2,491)	(14,671)
Reportable segment total return before tax	67,824	18,178	13,474	99,476
Unallocated amounts:				
- Finance costs				-
- Other corporate expenses				(21,885)
Total return before tax				77,591
Segment assets	1,056,570	290,577	349,031	1,696,178
Other unallocated amounts				67,104
Consolidated assets				1,763,282
Segment liabilities	306,286	143,198	194,548	644,032
Other unallocated amounts				2,748
Consolidated liabilities				646,780
Other segment items:				
Net change in fair value of investment properties	(3,339)	(590)	(4,590)	(8,519)
Capital expenditure/additions	12,394	142	(111)	12,425

During the financial year, there was a change in the lease arrangement of a client from a fully-fitted data centre to a data centre with colocation lease arrangement.

By type of asset

	2016			
	Colocation \$'000	Fully fitted \$'000	Shell and core \$'000	Total \$'000
Gross revenue	67,494	23,057	8,588	99,139
Net property income	60,316	22,790	7,830	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	698,553	315,135	357,139	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 (continued)

By geographical area

	Group	
	2017 \$'000	2016 \$'000
<u>Gross revenue</u>		
- Singapore	69,391	40,667
- Australia	27,040	28,272
- Ireland	14,117	10,915
- United Kingdom	10,552	6,510
- Other countries	17,950	12,775
Total gross revenue	<u>139,050</u>	<u>99,139</u>
 <u>Investment properties</u>		
- Singapore	700,300	455,000
- Australia	298,734	312,821
- Ireland	209,414	104,220
- The Netherlands	143,558	137,660
- Other countries	218,084	216,237
Total value of investment properties	<u>1,570,090</u>	<u>1,225,938</u>

Major customers

Gross revenue of \$80.2 million (2016: \$55.3 million) is derived from 2 external clients from Singapore and Australia (2016: Singapore and Australia).

29 Subsequent Events

On 22 January 2018, the Manager declared a distribution of 3.49 cents per Unit for the period from 1 July 2017 to 31 December 2017.

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 Persons	Aggregate value of all interested person transaction during the financial period under review (excluding transactions less than \$100,000)	
	FY 2017 \$'000	FY 2016 \$'000
Keppel Corporation Limited and its subsidiaries		
- Manager's acquisition fees	3,062	1,154
- Manager's management fees	11,293	4,495
Keppel Telecommunications & Transportation Ltd and its subsidiaries		
- Purchase consideration in relation to 90.0% interest of KDC SGP 3	206,339	-
- Adjustment in purchase consideration of KDC SGP 1 and KDC SGP 2	-	5,938
- Fixed rental income	51,587	-
- Variable rental income	51,749	31,484
- Manager's management fees	-	4,138
- Colocation guarantee income	702	-
- Recovery of expenses paid/incurred on behalf	995	-
- Facility management fees	16,743	3,764
- Support services fees	563	541
Perpetual (Asia) Limited		
- Trustee fees	216	180

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 bases 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 period 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 2017, Keppel DC REIT issued:

- 1,676,047 new Units to the Manager in relation to the acquisition fees paid for the acquisition of the 90.0% interest in Keppel DC Singapore 3 at an issue price of \$1.2082 per Unit; and
- 285,298 new Units to the Manager as payment of 100% of the base and performance fees in respect of Intellicentre 2 Data Centre in Australia for the period from 1 October 2016 to 30 September 2017 at issue prices ranging from \$1.1894 - \$1.3205 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 maximise 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”) and 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.

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 Keppel DC REIT and the Manager, including establishing goals for management and monitoring the achievement of these goals.

The principal functions of the Board are to:

- (i) 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;
- (ii) 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;
- (iii) 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
- (iv) 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 an important role in ensuring good corporate governance. The responsibilities of the Board committees are disclosed in the Appendix hereto.

The Board meets four times a year and as warranted by particular circumstances to discuss and review the Manager's key activities, including its business strategies and policies for Keppel DC REIT, proposed acquisitions and divestments, 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 2017, 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
Mr Chan Hon Chew	8	4
Mr Lee Chiang Huat	8	4
Mr Leong Weng Chee	8	-
Mr Lim Chin Hu (resigned w.e.f 1 August 2017)	6/6	-
Mr Dileep Nair	8	4
Mr Richard Teo Cheng Hiang	8	4
Dr Tan Tin Wee	8	-
Mr Thomas Pang Thieng Hwi	8	-
Ms Christina Tan Hua Mui	8	-
No. of Meetings held in FY 2017¹	8	4

1. For FY 2017, no Executive Committee meetings were convened as all matters tabled to the Executive Committee were deliberated via electronic communications.

Corporate Governance

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.

BOARD COMPOSITION AND GUIDANCE

Principle 2: Strong and independent element on the Board

The Board consists of eight members, five 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 judgment 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. In this respect, the Board recognises the merits of gender diversity in relation to the composition of the Board and, in identifying candidates for new appointment to the Board, would consider suitable female candidates. Having said that, gender is but one aspect of diversity and new Directors will continue to be selected based on objective criteria set out as part of the process for appointment of new Directors and Board succession planning. As of 31 December 2017, there was one female Director out of a total of eight Directors on the Board.

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. Time is also set aside at the end of every Board meeting for closed door discussions between the Directors without the presence of management.

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. 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 candidate(s) to assess suitability and to ensure that the candidate(s) is/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.

Corporate Governance

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.

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.

The Manager is seeking the re-endorsement of the appointments of Dr Tan Tin Wee and Mr Thomas Pang Thieng Hwi at the AGM to be held in 2018.

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 132 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 Dileep Nair 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. 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;

- (iii) Mr Richard Teo Cheng Hiang shall nonetheless be considered independent notwithstanding that his son is an employee of a related corporation of the Manager, namely Keppel Capital International Pte. Ltd. ("KCI"). Taking into consideration (1) that Mr Teo's son is not involved in the Manager's activities and does not undertake any work for Keppel DC REIT, (2) Mr Teo having declared that he does not regard his son's employment with KCI as something which could interfere with or be reasonably regarded as interfering with his exercise of independent judgment and ability to act in the best interests of Keppel DC REIT as a whole in the discharge of a director's duties, and (3) the instances of constructive challenge and probing of management by Mr Teo at the Board and the Board committee meetings of the Manager, the Board is satisfied that Mr Teo'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
- (iv) Mr Chan Hon Chew, Mr Thomas Pang Thieng Hwi and Ms Christina Tan Hua Mui are not considered independent from Keppel Corporation Limited. Mr Chan is the Chief Financial Officer of Keppel Corporation Limited. Mr Pang is the Chief Executive Officer of Keppel T&T, a related corporation of Keppel Corporation Limited. Ms Tan is the Chief Executive Officer of Keppel Capital, a related corporation of Keppel Corporation Limited.

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 165: Unitholdings in Keppel DC REIT as at 21 January 2018.

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.

Corporate Governance

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.

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. In addition, the Manager has established the Executive Committee to, among other things, support the Board in reviewing certain remuneration matters.

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 without being excessive, and thereby maximise Unitholder value. The Executive Committee recommends to the Board for endorsement a framework of remuneration (which covers all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, and Unit grants) and the specific remuneration packages for each Director and the key management personnel. The Executive Committee 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 and Executive Committee have access to expert advice from external consultants where required. In FY 2017, the Board and the Executive Committee sought views on market practice and trends from external remuneration consultants, such as Aon Hewitt. The external remuneration consultants had no relationships with the Manager which would affect their independence and objectivity.

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, CEO and key management personnel.

Policy in respect of Non-Executive Directors' remuneration

Each Director is paid a basic fee and an additional fee for services performed on Board committees. The Director's fees for Mr Chan Hon Chew, Mr Thomas Pang Thieng Hwi and Ms Christina Tan Hua Mui will be paid in cash to Keppel Corporation Limited, Keppel T&T and Keppel Capital respectively. The Chairman 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 non-executive Directors participated in additional ad-hoc meetings with management during the year and are not paid for attending such fees.

The Executive Committee, in consultation with Aon Hewitt, conducted a review of the non-executive Directors' fee structure in 2017. The review took into account a variety of factors, including prevailing market practices and referencing Directors' fees against comparable benchmark, as well as the roles and responsibilities of the Board and Board committees. Recognising that Directors have ongoing oversight responsibilities towards the Manager, a revised Directors' fee structure was developed, comprising basic fees for the Board, as well as additional fees for services performed on Board committees.

The framework for determining the Directors' fees is shown in the table below:

Main Board	Chairman	\$75,000 per annum
	Director	\$46,000 per annum
Audit and Risk Committee	Chairman	\$23,000 per annum
	Member	\$14,000 per annum
Executive Committee	Chairman	\$23,000 per annum
	Member	\$14,000 per annum

Remuneration policy in respect of key management personnel

The Manager advocates a performance-based remuneration system that is highly flexible and responsive to the market and corporate and individual performance.

In designing the remuneration structure, the Board seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate in finding a balance between current versus long-term remuneration and between cash versus equity incentive remuneration.

In FY 2017, a comprehensive review of the total remuneration structure was undertaken. With the assistance of Aon Hewitt, the total remuneration structure was revised to reflect four key objectives:

- (a) Unitholder Alignment: To incorporate performance measures that are aligned to Unitholders' interests
- (b) Long-term Orientation: To motivate employees to drive sustainable long-term growth
- (c) Simplicity: To ensure that the remuneration structure is easy to understand and communicate to stakeholders
- (d) Synergy: To facilitate talent mobility and enhance collaboration across businesses

The revised total remuneration mix comprises three components - annual fixed pay, annual performance bonus 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 relevant industry market data. The size of the Manager's annual performance bonus pot is determined by Keppel DC REIT's financial and non-financial performance, and is distributed to employees based on their individual performance. The long-term incentive is in the form of two Unit plans, being the Restricted Unit Plan ("RUP") and the Performance Unit Plan ("PUP"). A portion of the annual performance bonus is granted in the form of deferred Units that are awarded under the RUP. The PUP comprises performance targets determined on an annual basis and which vest over a longer term horizon. Executives who have greater ability to influence strategic outcomes have a greater proportion of their 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, at the recommendation of the Executive Committee, exercises broad discretion and independent judgment in ensuring that the amount and mix of remuneration 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 remuneration structure is directly linked to corporate and individual performance, both in terms of financial and non-financial performances. This link is achieved in the following ways:

- (1) By placing a significant portion of executive's remuneration at risk ("at-risk component") and 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 and Business Drivers; (ii) Process; (iii) Stakeholders; and (iv) People. Some of the key sub-targets within each of the scorecard areas include key financial indicators, safety goals, risk management, compliance and controls measures, corporate social responsibility activities, employee engagement, talent development and succession planning;
 - 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. The Board, at the recommendation of the Executive Committee, reviews and approves the scorecard annually;
- (3) By selecting performance conditions for the KDCRM PUP such as Distribution Per Unit and Total Unitholder Return 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.

Corporate Governance

The Board also recognises the need for a reasonable alignment between risk and remuneration to discourage excessive risk taking. Therefore, in reviewing the remuneration structure, the Board, at the recommendation of the Executive Committee, had taken into account the risk policies and risk tolerance of Keppel DC REIT and the Manager as well as the time horizon of risks, and incorporated risks-adjustments into the remuneration structure through several initiatives, including but not limited to:

- (1) Prudent funding of annual performance bonus;
- (2) Granting a portion of the annual performance bonus in the form of deferred Units, to be awarded under the RUP;
- (3) Vesting of contingent Unit awards under the PUP being subjected to KPIs and/or performance conditions being met; and
- (4) Potential forfeiture of variable incentives in any year due to misconduct.

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 behaviours contrary to the Manager's risk profile.

In determining the actual quantum of the variable component of remuneration, the Board had taken into account the extent to which the performance conditions set forth above have been met. The Board is of the view that remuneration is aligned to performance during FY 2017.

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 management personnel (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 management personnel. 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 management personnel, and performance as set out on pages 136 to 140.

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 since 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. The range of performance targets to be set under the PUP emphasizes stretched or strategic targets aimed at sustaining longer-term growth.

The Board has the discretion to not award variable incentives in any year if an executive is directly involved in a material restatement of financial statements or in misconduct resulting in restatement of financial statements or financial losses to Keppel DC REIT or the Manager. Outstanding performance bonuses under the RUP and the PUP are also subject to the Board's discretion before further payment or vesting can occur.

Level and mix of remuneration of Directors and Key Management Personnel for the year ended 31 December 2017

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 (\$)	Benefits-in-Kind
Mr Chan Hon Chew	-	-	S\$112,000	-
Mr Lee Chiang Huat	-	-	S\$69,000	-
Mr Thomas Pang Thieng Hwi	-	-	S\$46,000	-
Mr Lim Chin Hu ¹	-	-	S\$34,850	-
Mr Dileep Nair	-	-	S\$60,000	-
Mr Leong Weng Chee	-	-	S\$60,000	-
Mr Richard Teo Cheng Hiang	-	-	S\$60,000	-
Dr Tan Tin Wee	-	-	S\$60,000	-
Ms Christina Tan Hua Mui	-	-	S\$60,000	-

1. Mr Lim Chin Hu ceased to be a member of the Board and the Executive Committee with effect from 1 August 2017. Fees are pro-rated accordingly.

Corporate Governance

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

Remuneration Band and Names of CEO and Key Management Personnel ⁽¹⁾	Base/Fixed salary	Variable or Performance-related income/bonuses ⁽²⁾	Benefits-in-kind	Contingent Award of Units/shares		
				PUP ⁽³⁾	RUP ⁽³⁾	PSP-TIP ^(4,5)
<i>Above \$750,000 to \$1,000,000</i>						
Chua Hsien Yang	36%	25%	n.m. ⁽⁶⁾	14%	24%	1%
<i>Above \$250,000 to \$500,000</i>						
Lee Meng Hoon, Anthea	53%	30%	n.m. ⁽⁶⁾	-	17%	-
Chow Ching Sian	61%	30%	n.m. ⁽⁶⁾	-	9%	-
<i>Below \$250,000</i>						
Thng Bee Lay ⁽⁷⁾	85%	12%	n.m. ⁽⁶⁾	-	3%	-

- The Manager has less than five key management personnel other than the CEO.
- The Executive Committee is satisfied that the quantum of performance-related bonuses earned by the CEO and key management personnel of the Manager was fair and appropriate taking into account the extent to which their KPIs for FY 2017 were met.
- Units awarded under the KDCRM PUP are subject to pre-determined performance targets set over a three-year performance period. As at 28 April 2017 (being the grant date), the estimated value of each Unit granted in respect of the contingent awards under the KDCRM PUP was \$0.90. As at 23 February 2018 (being the grant date for the contingent deferred Units under the KDCRM RUP), the estimated value of each Unit granted in respect of the contingent awards under the KDCRM RUP was \$1.28. For the KDCRM PUP, the figures were based on the value of the PUP Units at 100% of the award and the figures may not be indicative of the actual value at vesting which can range from 0% to 150% of the award.
- 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 2021. 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 28 April 2017 (being the grant date), the estimated value of each KCL share granted in respect of the contingent award under the PSP-TIP was \$0.87. 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.
- 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.
- "n.m." means not material.
- Ms Thng Bee Lay was appointed as the Head of Asset Management on 7 August 2017. The remuneration disclosed is on an annualised basis.

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.

All the members of the ARC have accounting or related financial management expertise or experience.

The ARC's role includes assisting the Board to ensure the integrity of financial reporting and that sound internal control systems are in place. The responsibilities of the ARC are disclosed in the Appendix hereto.

The ARC has authority to investigate any matter within its terms of reference, full access to and co-operation by management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. 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 auditor, report their findings and recommendations independently to the ARC.

A total of four ARC meetings were held in 2017. 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, half- 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 auditor through discussions with the external auditor as well as reviewing the non-audit fees awarded to them, and has confirmed that the non-audit services performed by the external auditor would not affect their independence.

For FY 2017, an aggregate amount of \$142,000, comprising audit service fees of \$129,000 and non-audit service fees of \$13,000, 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.

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 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 149 and 150 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.

Corporate Governance

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 Keppel DC REIT’s and the Manager’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 2017. 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 Keppel DC REIT and the Manager 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 pages 54 and 55 of this Annual Report. The Manager is guided by a set of Risk Tolerance Guiding Principles, as disclosed on page 54.

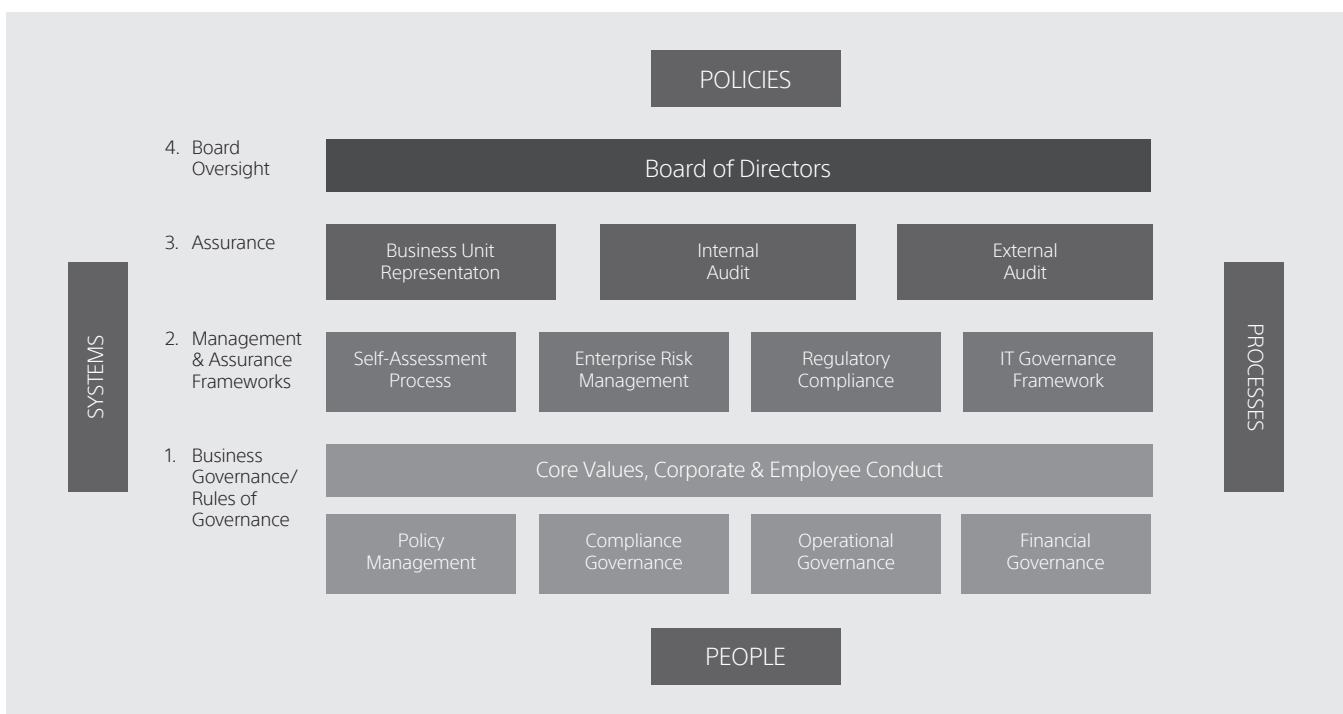
The Manager has in place a risk management assessment framework which was established to facilitate the Board’s assessment on the adequacy and effectiveness of the Manager’s and Keppel DC REIT’s risk management system. The framework lays out the governing policies, processes and systems pertaining to each of the key risk areas of Keppel DC REIT and the Manager and assessments are made on the adequacy and effectiveness of such policies, process and systems. The risk tolerance guiding principles and risk management assessment framework are reviewed and updated annually.

In addition, the Manager has adopted the Whistle-Blower 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 auditor 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 auditor in this respect.

KEPPEL DC REIT’S SYSTEM OF MANAGEMENT CONTROLS



Keppel DC REIT and the Manager also have in place the Keppel DC REIT's System of Management Controls Framework (the "Framework") outlining Keppel DC REIT's and the Manager's internal control and risk management processes and procedures. The Framework comprises three Lines of Defence towards ensuring the adequacy and effectiveness of Keppel DC REIT's and the Manager'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 Keppel DC REIT's and the Manager'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, Keppel DC REIT and the Manager are required to conduct self-assessment exercise on an annual basis. This exercise requires Keppel DC REIT and the Manager 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 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 Chief Financial Officer ("CFO") are required to provide Keppel DC REIT and the Manager with written assurances as to the adequacy and effectiveness of their system of internal controls and risk management. The internal and external auditors provide added independent assessments of the overall control environment.

The Board, supported by the ARC, oversees Keppel DC REIT's and the Manager's system of internal controls and risk management. The Board has received assurance from the CEO, Mr Chua Hsien Yang, and the CFO, Ms Chow Ching Sian, that, amongst others:

- (1) the financial records of Keppel DC REIT and the Manager have been properly maintained and the financial statements give a true and fair view of the operations and finances of Keppel DC REIT and the Manager;
- (2) the internal controls of Keppel DC REIT and the Manager are adequate and effective to address the financial, operational, compliance and information technology risks which Keppel DC REIT and the Manager 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 Keppel DC REIT's and the Manager's risk management system.

Based on Keppel DC REIT's and the Manager's framework of management control, the internal control and risk management policies and procedures established and maintained by Keppel DC REIT and the Manager, 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 Keppel DC REIT's and the Manager's operations, as at 31 December 2017, Keppel DC REIT's and the Manager's internal controls and risk management system, are adequate and effective to address the financial, operational, compliance and information technology risks which Keppel DC REIT and the Manager consider relevant and material to its current business scope and environment.

The system of internal controls and risk management established by Keppel DC REIT and the Manager provides reasonable, but not absolute, assurance that Keppel DC REIT and the Manager 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 Group Internal Audit. The role of the internal auditor is to provide independent assurance to the ARC that Keppel DC REIT and the Manager maintain a sound system of internal controls by reviewing the key controls and procedures and 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 access to the ARC and access to all of Keppel DC REIT's and the Manager'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 every five years by qualified professionals. The last assessment conducted in 2016 re-affirmed that the internal audit activity conforms to the International Standards. The professional competence of Group Internal Audit is maintained through its continuing professional development programme for its staff which includes sending auditors to attend professional courses conducted by external accredited organisations to enhance their knowledge on auditing techniques, developments in the profession and relevant subject matter.

Corporate Governance

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 engaged with a total of 292 local and foreign investors and analysts through meetings, conference calls, post-results engagements and site visits. 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 19 and 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 is not disclosed selectively, and if on the rare occasion when such information is 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 promptly 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. The external auditor is also present at such meetings to assist the Directors to address Unitholders' queries, if necessary.

The Manager is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

The company 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.

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 Limited and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by Keppel Corporation Limited 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 Limited 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 spelt 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).

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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 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 Keppel DC REIT or the Manager, 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 Keppel DC REIT or the Manager. If the Trustee is to sign any contract with a Related Party of Keppel DC REIT or the Manager, 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 apply 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 auditor 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 has the right to review such 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.

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 auditor and internal auditor, and consider the effectiveness of actions or policies taken by management on the recommendations and observations.
- (4) Review the independence and objectivity of external auditor annually.
- (5) Review the nature and extent of non-audit services performed by external auditor.
- (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 auditor, and approve the remuneration and terms of engagement of the external auditor.
- (8) Review the adequacy and effectiveness of the Manager's and Keppel 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) 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.

Corporate Governance

- (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 make recommendations to the Board on the following matters:
 - (i) proposed investments, acquisitions and disposal of assets by Keppel DC REIT or any of its subsidiaries;
 - (ii) proposed significant contracts, including significant colocation and leasing arrangements, facility management agreements and joint ventures; and
 - (iii) unbudgeted capital expenditure on an aggregated basis.
- (2) Review and recommend remuneration framework for the Board members and the CEO.
- (3) Review and set the CEO performance scorecard.
- (4) Administer the Manager's long-term incentive schemes in accordance with the rules of such schemes.
- (5) Review the succession plan for the CEO.
- (6) Report to the Board on material matters and recommendations.
- (7) Review the Executive Committee's terms of reference annually and recommend any proposed changes to the Board.
- (8) Perform such other functions as the Board may determine from time to time which may include matters pertaining to succession plans for the Board and senior management and talent development plans.
- (9) Sub-delegate any of its powers within its terms of reference as listed above, from time to time, as this 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.

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 Manager.

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 POLICY

The Keppel Whistle-Blower 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.

Corporate Governance

Investigation

Every report received (whether oral or written, and anonymous or otherwise) will be assessed by the Receiving Officer, who will review the information disclosed, interview the Whistle-Blower(s) when required and if contactable and, either exercising his/her own discretion or in consultation with the Whistle-Blower Committee, make recommendations to the ARC Chairman as to whether the circumstances warrant an investigation. If the ARC Chairman or, if the ARC Chairman consults the ARC, the ARC, determines that an investigation should be carried out, the ARC Chairman or, as the case may be, the ARC, shall determine the appropriate investigative process to be employed. 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.

NATURE OF CURRENT DIRECTORS' APPOINTMENTS AND MEMBERSHIP ON BOARD COMMITTEES			
Director	Board Membership	Audit and Risk Committee Membership	Executive Committee Membership
Mr Chan Hon Chew	Chairman and Non-Executive Director	Member	Chairman
Mr Lee Chiang Huat	Independent Director	Chairman	-
Mr Leong Weng Chee	Independent Director	-	Member
Mr Dileep Nair	Independent Director	Member	-
Mr Richard Teo Cheng Hiang	Independent Director	Member	-
Dr Tan Tin Wee	Independent Director	-	Member
Mr Thomas Pang Thieng Hwi	Non-Executive Director	-	-
Ms Christina Tan Hua Mui	Non-Executive Director	-	Member

Code of Corporate Governance 2012**Guidelines for Disclosure**

Guideline	Questions	How has the Company complied?
General	<p>(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.</p> <p>(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</p>	<p>Yes, save in respect of the guidelines on disclosure of remuneration where, in order not to hamper the Manager's efforts to retain and nurture its talent pool and given the highly competitive conditions in the REIT industry where poaching of senior management is commonplace, the Manager is disclosing the remuneration of the CEO in bands of \$250,000, and is not disclosing the aggregate total remuneration paid to the top five key management personnel (who are not directors or the CEO).</p> <p>The information under the Annual Remuneration Report in pages 136 to 140 of this Annual Report enables investors to understand the link between remuneration paid to the CEO and the key management personnel and performance.</p>
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	<p>(a) What is the Board's policy with regard to diversity in identifying director nominees?</p> <p>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</p> <p>(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?</p>	<p>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.</p> <p>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. In this respect, the Board recognises the merits of gender diversity in relation to the composition of the Board and, in identifying candidates for new appointment to the Board, would consider suitable female candidates. Having said that, gender is but one aspect of diversity and new Directors will continue to be selected based on objective criteria set out as part of the process for appointment of new Directors and Board succession planning. As of 31 December 2017, there was one female Director out of a total of eight Directors on the Board.</p> <p>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.</p>

Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	<p><u>For new directors</u></p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(d) The Board meets with the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required.</p> <p><u>For incumbent directors</u></p> <p>The appointment of each of the Directors is subject to endorsement and re-endorsement by Unitholders by way of an ordinary resolution at the Annual General Meetings of Unitholders. The details of the endorsement process is set out on page 134 of this Annual Report.</p> <p>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.</p>
Guideline 1.6	<p>(a) Are new directors given formal training? If not, please explain why.</p> <p>(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?</p>	<p>Yes, all new Directors undergo a comprehensive orientation programme.</p> <p>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.</p>

Corporate Governance

Guideline 4.4	<p>(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?</p> <p>(b) If a maximum number has not been determined, what are the reasons?</p> <p>(c) What are the specific considerations in deciding on the capacity of directors?</p>	<p>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.</p> <p>Not applicable.</p> <p>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.</p>
Board Evaluation		
Guideline 5.1	<p>(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?</p> <p>(b) Has the Board met its performance objectives?</p>	<p>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.</p> <p>The detailed process for the conduct of the assessment is set out on pages 148 and 149 of this Annual Report.</p> <p>Yes</p>

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	<p>(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.</p> <p>(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.</p>	<p>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 Limited.</p> <p>Mr Richard Teo Cheng Hiang is deemed independent by the Board notwithstanding that his son is an employee of a related corporation of the Manager, namely Keppel Capital International Pte. Ltd.</p> <p>Taking into consideration (i) that 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.</p> <p>Taking into consideration (1) that Mr Teo's son is not involved in the Manager's activities and does not undertake any work for Keppel DC REIT, (2) Mr Teo having declared that he does not regard his son's employment with Keppel Capital International Pte. Ltd. as something which could interfere with or be reasonably regarded as interfering with his exercise of independent judgment and ability to act in the best interests of Keppel DC REIT as a whole in the discharge of a director's duties, and (3) the instances of constructive challenge and probing of management by Mr Teo at the Board and the Board committee meetings of the Manager, the Board is satisfied that Mr Teo'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.</p>
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	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	<p>Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</p>	<p>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 management personnel on pages 139 and 140 of the Annual Report.</p> <p>In order not to hamper the Manager's efforts to retain and nurture its talent pool and given the highly competitive conditions in the REIT industry where poaching of senior management is commonplace, the Manager is disclosing the remuneration of the CEO in bands of \$250,000.</p>
Guideline 9.3	<p>(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</p> <p>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).</p>	<p>Yes. The level and mix of the remuneration of the CEO and each of the key management personnel in bands of S\$250,000, are set out on page 140 of the Annual Report.</p> <p>The Manager has less than five key management personnel 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 management personnel (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 management personnel, and performance as set out on pages 136 to 140 of the Annual Report.</p>
Guideline 9.4	<p>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.</p>	<p>No. There are no such employees.</p>

<p>Guideline 9.6</p>	<p>(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.</p> <p>(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</p> <p>(c) Were all of these performance conditions met? If not, what were the reasons?</p>	<p>The remuneration structure is directly linked to Keppel DC REIT and individual performance, both in terms of financial and non-financial performances. This is achieved in the following ways:</p> <p>(1) By placing a significant portion of executive's remuneration at risk ("at-risk component") and subject to a vesting schedule;</p> <p>(2) By incorporating appropriate key performance indicators ("KPIs") for awarding of annual cash incentives:</p> <p>a. There are four scorecard areas that the Manager has identified as key to measuring its performance –</p> <ul style="list-style-type: none"> i. Financial and Business Drivers; ii. Process; iii. Stakeholders; and iv. People. <p>Some of the key sub-targets within each of the scorecard areas include key financial indicators, safety goals, risk management, compliance and controls measures, corporate social responsibilities activities, employee engagement, talent development and succession planning;</p> <p>b. The four scorecard areas have been chosen because they support how the Manager achieves its strategic objectives. The framework provides a link for staff in understanding how they contribute to each area of the scorecard, and therefore to the Manager's overall strategic goals; The Board, at the recommendation of the Executive Committee reviews and approves the scorecard annually;</p> <p>(3) By selecting performance conditions for KDCRM PUP such as Distribution Per Unit and Total Unitholder Return for equity awards that are aligned with Unitholders' interests;</p> <p>(4) By requiring those KPIs or conditions to be met in order for the at-risk components of remuneration to be awarded or to vest; and</p> <p>(5) Forfeiture of the at-risk components of remuneration when those KPIs or conditions are not met at a satisfactory level.</p>
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Corporate Governance

		<p>The Board also recognises the need for a reasonable alignment between risk and remuneration to discourage excessive risk taking. Therefore, in reviewing the remuneration structure, the Board, at the recommendation of the Executive Committee, had taken into account the risk policies and risk tolerance of Keppel DC REIT and the Manager as well as the time horizon of risks, and incorporated risks-adjustments into the remuneration structure through several initiatives, including but not limited to:</p> <ol style="list-style-type: none"> (1) Prudent funding of annual performance bonus; (2) Granting a portion of the annual performance bonus in the form of deferred Units, to be awarded under the RUP; (3) Vesting of contingent Unit awards under the PUP being subjected to KPIs and/or performance conditions being met; and (4) Potential forfeiture of variable incentives in any year due to misconduct. <p>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 behaviours contrary to the Manager's risk profile.</p> <p>In determining the actual quantum of the variable component of remuneration, the Board had taken into account the extent to which the performance conditions set forth above have been met. The Board is of the view that remuneration is aligned to performance during FY 2017.</p> <p>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.</p> <p>Please refer to pages 136 to 140 of this Annual Report for details.</p>
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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?	<p>Management provides the Board with relevant and accurate information in a timely manner relating to matters to be brought before the Board, prior to Board meetings and on an ongoing basis.</p> <p>As a general rule, Board papers are required to be sent to Directors at least seven days before each Board meeting. However, sensitive matters may be tabled at the 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.</p> <p>The information provided to the Board includes financial results, market and business developments, and business and operational information. Such reports keep the Board informed, on a balanced and understandable basis, of Keppel 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.</p> <p>Management also surfaces key risk issues for discussion and confers with the ARC and the Board regularly.</p>
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes. The Manager's internal audit functions are performed by Keppel Corporation Limited's Group Internal Audit department.

Corporate Governance

Guideline 11.3	<p>(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.</p> <p>(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?</p>	<p>The Board, supported by the ARC, oversees Keppel DC REIT's and the Manager's system of internal controls and risk management.</p> <p>The Board's view on the adequacy and effectiveness of Keppel DC REIT's and the Manager'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 Keppel DC REIT and the Manager, and the regular audits, monitoring and reviews performed by the internal and external auditors. The ARC has concurred with this view.</p> <p>Yes.</p>
Guideline 12.6	<p>(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.</p> <p>(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.</p>	<p>For FY 2017, an aggregate amount of \$142,000, comprising audit service fees of \$129,000 and non-audit service fees of \$13,000, was paid/payable to Keppel DC REIT's external auditor.</p> <p>The ARC undertook a review of the independence and objectivity of the external auditor through discussions with the external auditor as well as reviewing the non-audit fees awarded to them, and has confirmed that the non-audit services performed by the external auditor would not affect their independence.</p>
Communication with Shareholders		
Guideline 15.4	<p>(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?</p> <p>(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p> <p>(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?</p>	<p>Yes. Meetings with both existing and prospective investors take place throughout the year. Please refer to pages 19 and 20 of this Annual Report for details.</p> <p>Yes</p> <p>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 solicit and understand the views of the investment community.</p>
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	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 131
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 131
Guideline 1.5 The type of material transactions that require board approval under guidelines	Page 132
Guideline 1.6 The induction, orientation and training provided to new and existing directors	Page 132
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 134 and 135
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 133
Guideline 4.4 The maximum number of listed company board representations which directors may hold should be disclosed	Page 135
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	Pages 133 to 134
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 135 and 148 to 149

Corporate Governance

<p>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</p>	See explanation on page 136
<p>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</p>	Page 136
<p>Principle 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration</p>	Pages 136 to 140
<p>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)</p>	Pages 136 to 140
<p>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</p>	Pages 136 to 140
<p>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</p>	Pages 136 to 140
<p>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</p>	Page 140
<p>Guideline 9.5 Details and important terms of employee share schemes</p>	Pages 137 to 138
<p>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</p>	Pages 136 to 140

<p>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</p> <p>The commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems</p> <p>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.</p>	Pages 142 and 143
<p>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</p>	Page 141
<p>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</p>	Page 141
<p>Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the company's Annual Report</p>	Pages 142 and 149 to 150
<p>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</p>	Page 141
<p>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</p>	Page 144
<p>Guideline 15.5 where dividends are not paid, companies should disclose their reasons.</p>	Not applicable

Statistics of Unitholdings

As at 27 February 2018

Issued and Fully Paid Units

1,127,275,317 Units (Voting rights : 1 vote per Unit)

There is only one class of Units in Keppel DC REIT.

Market capitalisation of S\$1,578,185,444 based on market closing price of S\$1.400 on 27 February 2018.

Distribution of Unitholdings

Size Of Unitholdings	No. Of Unitholders	%	No. Of Units	%
1 - 99	36	0.38	1,714	0.00
100 - 1,000	1,195	12.50	1,052,525	0.09
1,001 - 10,000	5,658	59.20	28,466,314	2.53
10,001 - 1,000,000	2,640	27.62	100,357,433	8.90
1,000,001 and above	29	0.30	997,397,331	88.48
Total	9,558	100.00	1,127,275,317	100.00

Twenty Largest Unitholders

No.	Name	No. Of Units	%
1	Keppel DC Investment Holdings Pte Ltd	338,580,976	30.04
2	DBS Nominees (Private) Limited	166,576,799	14.78
3	Citibank Nominees Singapore Pte Ltd	137,166,144	12.17
4	HSBC (Singapore) Nominees Pte Ltd	74,099,430	6.57
5	Raffles Nominees (Pte) Limited	68,812,899	6.10
6	DC REIT Holdings Pte. Ltd.	55,118,336	4.89
7	DBSN Services Pte. Ltd.	52,617,467	4.67
8	BNP Paribas Securities Services Singapore Branch	19,927,512	1.77
9	DB Nominees (Singapore) Pte Ltd	19,288,154	1.71
10	United Overseas Bank Nominees (Private) Limited	14,234,951	1.26
11	BNP Paribas Nominees Singapore Pte Ltd	7,193,626	0.64
12	UOB Kay Hian Private Limited	5,521,660	0.49
13	DBS Vickers Securities (Singapore) Pte Ltd	3,972,934	0.35
14	NTUC Fairprice Co-Operative Ltd	3,822,000	0.34
15	OCBC Securities Private Limited	3,604,664	0.32
16	Phillip Securities Pte Ltd	3,448,157	0.31
17	OCBC Nominees Singapore Private Limited	3,214,568	0.29
18	ABN AMRO Clearing Bank N.V.	2,661,910	0.24
19	Keppel DC REIT Management Pte Ltd	2,208,781	0.20
20	CGS-CIMB Securities (Singapore) Pte. Ltd.	2,046,443	0.18
	Total	984,117,411	87.32

The Manager's Directors' Unitholdings

Based on the Register of Directors' Unitholdings maintained by the Manager, as at 21 January 2018, 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
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	50,000 (Direct)

¹ As at 21 January 2018, 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 27 February 2018, 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	410,432,503 (Deemed) ¹	36.41
Keppel Corporation Limited	395,908,093 (Deemed) ²	35.12
Keppel Telecommunications & Transportation Ltd	340,789,757 (Deemed) ³	30.23
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 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 27 February 2018, approximately 63.54% 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 27 February 2018, there are no treasury units held by Keppel DC REIT or the Manager.

Financial Calendar

Financial Year Ended 31 December 2017

First Quarter 2017 Results Announcement	17 April 2017
Second Quarter 2017 Results Announcement	17 July 2017
Half Year Distribution to Unitholders	31 August 2017
Third Quarter 2017 Results Announcement	16 October 2017
Full Year 2017 Results Announcement	22 January 2018
Final Distribution to Unitholders	28 February 2018
Despatch of Annual Report to Unitholders	26 March 2018
Annual General Meeting	17 April 2018

Financial Year Ending 31 December 2018

First Quarter 2018 Results Announcement	April 2018
Second Quarter 2018 Results Announcement	July 2018
Third Quarter 2018 Results Announcement	October 2018
Full Year 2018 Results Announcement	January 2019

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 Level 3, Heliconia Main Ballroom (3403-6 & 3503-6), Sands Expo and Convention Centre, 10 Bayfront Avenue, Singapore 018956 on 17 April 2018 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 2017 and the Auditors’ Report thereon. **(Ordinary Resolution 1)**
2. To re-appoint Messrs PricewaterhouseCoopers LLP as the Auditor of Keppel DC REIT 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)**
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) Dr Tan Tin Wee; and **(Ordinary Resolution 3)**
 - (b) Mr Thomas Pang Thieng Hwi. **(Ordinary Resolution 4)**

(Please see Explanatory Notes)

(B) As Special Business

To consider and, if thought fit, to pass with or without any modifications, the following resolutions:

4. 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, 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 at the time such Units are issued),

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);

Notice of Annual General Meeting

- (2) subject to such manner of calculation as may be prescribed by Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (1) above, the total number of issued Units shall be 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 convertible securities or options 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 dated 17 March 2011 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 by 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 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 conferred by this Resolution. (**Ordinary Resolution 5**)

(Please see Explanatory Notes)

5. That:

- (a) approval be and is hereby given to amend the Trust Deed to include provisions regarding electronic communications of notices and documents to Unitholders in the manner set out in the Appendix to the Notice of Annual General Meeting (the “**Appendix**”) dated 26 March 2018 (the “**Proposed Electronic Communications Trust Deed Supplement**”); and
- (b) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager or, as the case may be, the Trustee, may consider expedient or necessary or in the interests of Keppel DC REIT to give effect to the Proposed Electronic Communications Trust Deed Supplement. (**Extraordinary 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
26 March 2018

Explanatory Notes:**1. Ordinary Resolutions 3 – 4**

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 the 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.

The Manager is seeking the re-endorsement of the appointments of Dr Tan Tin Wee and Mr Thomas Pang Thieng Hwi at the AGM to be held in 2018.

Detailed information on Dr Tan Tin Wee and Mr Thomas Pang Thieng Hwi can be found in the “Board of Directors” section in Keppel DC REIT’s Report to Unitholders 2017.

Dr Tan Tin Wee will, upon re-endorsement, continue to serve as independent Director and a member of the Executive Committee.

Mr Thomas Pang Thieng Hwi will, upon re-endorsement, continue to serve as non-executive Director.

2. Ordinary Resolution 5

The Ordinary Resolution 5 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 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 5 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 5 above is passed, after adjusting for new Units arising from the conversion or exercise of any convertible securities or options which are outstanding or subsisting at the time the Ordinary Resolution 5 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, the Trust Deed or any applicable laws and regulations in such instances, the Manager will then obtain the approval of Unitholders accordingly.

3. Extraordinary Resolution 6

In connection with the amendments to the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), companies are allowed to send notices and documents electronically to their shareholders with the express, deemed or implied consent (the “**Deemed Consent Regime**” and the “**Implied Consent Regime**”, respectively) of the shareholders if the constitution of the company provides for it and the specified modes of electronic communications are set out in the constitution of the company (the “**Companies Act Electronic Communications Amendments**”). The SGX-ST has recently amended the listing rules of the SGX-ST (the “**Listing Rules**”) to align the Listing Rules with the Companies Act Electronic Communications Amendments, with issuers allowed to transmit certain types of notices and documents to shareholders (or Unitholders, in the case of a listed real estate investment trust (“**REIT**”) such as Keppel DC REIT) electronically with the express, deemed or implied consent of shareholders.

Although Keppel DC REIT is not bound by the Companies Act, it is nonetheless bound by the Listing Rules as a listed REIT. Accordingly, the Manager proposes to amend the Trust Deed to adopt certain provisions of the Listing Rules to implement the Implied Consent Regime and the Deemed Consent Regime and allow for such electronic transmission of notices and documents in relation to Keppel DC REIT.

(See the Appendix in relation to the Proposed Electronic Communications Trust Deed Supplement for further details.)

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:

- (i) 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;
 - (ii) 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
 - (iii) 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 14 April 2018 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 of Keppel DC REIT 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 of Keppel DC REIT (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM of Keppel DC REIT (including any adjournment thereof), and in order for the Manager and the Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Manager and the Trustee (or their agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Manager and the Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify the Manager and the Trustee in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

Proxy Form

Keppel DC REIT

(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 a proxy or proxy(ies) 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 26 March 2018.

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 Level 3, Heliconia Main Ballroom (3403-6 & 3503-6), Sands Expo and Convention Centre, 10 Bayfront Avenue, Singapore 018956 on 17 April 2018 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.	Resolutions	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 2017 and the Auditors' Report thereon		
2.	To re-appoint Messrs PricewaterhouseCoopers LLP as the Auditor of Keppel DC REIT and authorise the Manager to fix the Auditor's remuneration		
3.	To re-endorse the appointment of Dr Tan Tin Wee as Director		
4.	To re-endorse the appointment of Mr Thomas Pang Thieng Hwi as Director		
Special Business			
5.	To authorise the Manager to issue Units and to make or grant convertible instruments		
6.	To approve the Proposed Electronic Communications Trust Deed Supplement		

* 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 _____ 2018

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/proxies (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 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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Singapore 098632

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