



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

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**RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS  
FOR THE ANNUAL GENERAL MEETING ON 19 APRIL 2023**

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

- (a) Keppel DC REIT’s notice of annual general meeting (“**AGM**”) dated 28 March 2023; and
- (b) the accompanying announcement released on 28 March 2023 setting out the procedures relating to the AGM which will be held in a wholly physical format.

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

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

By Order of the Board

Keppel DC REIT Management Pte. Ltd.  
(Company Registration Number :199508930C)  
as manager of Keppel DC REIT

Chiam Yee Sheng / Darren Tan  
Company Secretaries  
14 April 2023

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

No	Questions & Responses
1.	<p><b>Most of Keppel DC REIT's investments is in Europe and Singapore. Are there any plans to invest in ASEAN countries (e.g. Thailand, Vietnam and Indonesia) and places such as Taiwan, Hong Kong, South Korea and Japan?</b></p> <ul style="list-style-type: none"> <li>Keppel DC REIT's focus is on achieving higher distributable income and total returns for its Unitholders. Hence, we are focused on the growing markets of Asia and Europe where there is strong demand for data centres.</li> <li>Developed markets see strong demand from hyperscalers and DC operators given their connectivity, local and regional demand from clients, stability of the business environment and ecosystem supporting the data centre industry. Accordingly, the developed markets generally present more opportunities to acquire stabilised data centre assets.</li> <li>According to property consultants, top data centre markets in Asia Pacific include Singapore, Hong Kong, Sydney, Seoul, Tokyo and Beijing while top data centre markets in Europe include Frankfurt, London, Amsterdam, Paris and Dublin. Keppel DC REIT already has a presence in most of these markets.</li> </ul>
2.	<p><b>With artificial intelligence (AI) coming in fast and furious, is Keppel DC REIT expecting an exponential growth in demand for data centres in coming years and how is Keppel DC REIT preparing for this growth?</b></p> <ul style="list-style-type: none"> <li>Industry trends including the acceleration of digitalisation, adoption of technologies such as the internet of things, generative AI and rise of the digital economy will continue to bolster demand for data centres.</li> <li>New data centres are being planned and will be developed to meet the growing demand, This presents growth opportunities for Keppel DC REIT.</li> <li>Keppel is actively working with the hyperscalers and cloud players to meet their demand requirements in key markets and the developed data centres present potential pipeline opportunities for Keppel DC REIT.</li> </ul>
3.	<p><b>Who are Keppel DC REIT's competitors when it comes to bidding for customers and how is Keppel DC REIT competitive?</b></p> <ul style="list-style-type: none"> <li>Our competitors differ depending on the markets we operate in and include local and global data centre players.</li> <li>Factors that differentiate us from the competition include our long-established track record, strong network of global customers, operational expertise, efficiency and knowledge, and being part of the larger Keppel ecosystem with capabilities ranging from development to investments to facilities management. This means we are able to work with end clients on their multi-geographical growth plans or expansion needs.</li> </ul>
4.	<p><b>How is rental escalation done or cost past through by Keppel DC REIT in mitigating increasing interest rates and inflationary pressures?</b></p> <ul style="list-style-type: none"> <li>More than half of Keppel DC REIT's contracts have built-in income and rental escalations pegged to annual Consumer Price Index or similar indexation, fixed rate increases, or a mixture of both, which serve to mitigate inflationary pressures.</li> </ul>

No	Questions & Responses
	<ul style="list-style-type: none"> <li>We proactively hedged most of our borrowing costs thereby mitigating interest rates concerns. As disclosed, every 100bps increase in interest rates will have a 2.1% impact to 4Q 2022's DPU on a pro forma basis.</li> </ul>
5.	<p><b>Considering that technologies have already been implemented during the Covid days where general meetings by companies had to be held online, why is it being removed from this year's AGM?</b></p> <ul style="list-style-type: none"> <li>With the lifting of safe management measures in Singapore, we decided to resume physical general meetings to encourage in-person engagement between Unitholders and the Board/Management at the AGM.</li> <li>The COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the Meetings Orders), which enable various types of entities to convene, hold or conduct meetings through electronic means, will cease on 1 July 2023. Since the option to conduct meetings through electronic means will cease, we have decided to implement physical general meeting for this year ahead of this cessation.</li> <li>Physical meetings enable us to engage more closely with our Unitholders.</li> </ul>
6.	<p><b>The REIT delivered a 7.7% year-on-year increase in distributable income, mainly due to contributions from accretive acquisitions, investment and proactive asset management. Distribution per unit (DPU) increased by 3.7% amidst high inflation, aggressive interest rate hikes as well as increased geopolitical tensions.</b></p> <p><b>As disclosed in the portfolio review, "over half" of the group's contracts have built-in income and rental escalations pegged to annual Consumer Price Index (CPI) or similar indexation, fixed rate increases, or a mixture of both.</b></p> <p><b>The remaining contracts without escalations have a relatively short weighted average lease expiry by rental income of 2.2 years as at end December 2022. This will allow the REIT to negotiate higher rates during renewals.</b></p> <p><b>Separately, the manager also assured unitholders of the REIT's income resilience as more than 90% of electricity costs were passed through to colocation clients while the trust has no exposure to its master lease clients who contract electricity directly with the power suppliers.</b></p> <p>(i) <b>Can the manager provide a more detailed breakdown of the percentage of the trust's income with (a) CPI or similar indexation, (b) fixed rate increases, and (c) a combination of both?</b></p> <p>(ii) <b>What factors determine if a contract has CPI-linked escalation or not? Will this be a standard provision in all contracts going forward?</b></p> <p>(iii) <b>What is the average and the range of fixed rate increases?</b></p> <ul style="list-style-type: none"> <li>Unlike commercial assets, there is no standard contract, or market rate for data centres. Contract terms and rates are dependent on multiple factors including market supply, location, specifications and service level obligations unique to each client and asset. Each contract is thus different, depending on negotiations.</li> <li>Due to confidentiality agreements signed with our clients, we do not provide detailed guidance on contractual terms.</li> </ul>

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	<ul style="list-style-type: none"> <li>• With concerns over inflation, higher contract reversions and cost pass through mechanisms are negotiated where possible, during contract discussions.</li> </ul> <p>(iv) <b>At the asset level, could the manager offer unitholders greater insight into the challenges facing the Basis Bay Data Centre in terms of achieving full occupancy? As of December 31, 2022, the occupancy rate was 40.2%.</b></p> <ul style="list-style-type: none"> <li>• Basis Bay Data Centre is located in Cyberjaya. In the last few years, leasing activities in Cyberjaya were muted, due to market uncertainties, oversupply and lack of client demand. Client viewings were also limited by movement control orders which exacerbated the supply overhang. In addition, other Malaysian districts like Johor also presented alternatives, resulting in a challenging leasing environment. We will continue to push forward with our leasing efforts.</li> <li>• Our exposure in Basis Bay Data Centre is 0.5% of AUM as at 31 December 2022.</li> <li>• As part of our proactive asset management and portfolio rebalancing efforts, we continually review and ensure an optimal portfolio mix for Keppel DC REIT, and we are prepared to evaluate any attractive opportunities, including divestments, if they are beneficial to Keppel DC REIT and Unitholders.</li> </ul> <p>(v) <b>Separately, can the management provide deeper insights on the impact of layoffs by technology companies and the recent growth of AI applications on the REIT?</b></p> <ul style="list-style-type: none"> <li>• Hyperscalers are still recording growth for their cloud services, even after the exponential growth in the last few years. The growth is expected to be driven by continued cloud adoption, an increase in digitalisation and AI opportunities.</li> <li>• Demand for data centres in key locations remains strong. Governments have also put in place certain restrictions on new supply in key data centre hubs such as Singapore, Amsterdam and Dublin.</li> <li>• We have not seen technology companies giving up data centre space yet. Hyperscalers also recognise that in data centre markets where supply is tight, they are unlikely to be able to regain any space they surrender.</li> <li>• As more organisations incorporate AI into their operations and AI is deployed on a wide-scale commercial level, there will be a corresponding rise in data generation and increased demand for data centres.</li> </ul>
7.	<p><b>The trust has also invested in bonds and preference shares of M1 Network Private Limited (“NetCo”) which owns the mobile, fixed and fibre assets of M1.</b></p> <p><b>The bond subscription amount of \$88.7 million provides the trust with \$11.0 million per annum, payable semi-annually in arrears each year (comprising both principal and interest) for the term of the bonds, which shall be 15 years from the date of issuance of the bonds.</b></p> <p><b>As shown in Note 8 (page 132 &amp; 133 – Investment in a joint venture), the carrying value of the joint venture is \$26.5 million.</b></p> <p>(i) <b>What are the reasons for the joint venture being revalued up to \$26.5 million?</b></p>

No	Questions & Responses
	<ul style="list-style-type: none"> <li>• Our investment in the joint venture has been equity accounted. As at 31 December 2022, NetCo is in a net asset position mainly due to the mark-to-market gains in interest rate swaps, partially offset by asset depreciation.</li> <li>• Share of results from the joint venture are non-cash in nature and does not impact Keppel DC REIT's distributable income.</li> </ul> <p>(ii) <b>With the rise in interest rates, are the NetCo bonds less attractive now? Are the bonds revalued on an annual basis?</b></p> <ul style="list-style-type: none"> <li>• The NetCo Bonds have a high yield of 9.17% per annum and will provide Keppel DC REIT with fixed regular and stable cash flows of \$11.0 million per annum (comprising both principal and interest payments) over the term of 15 years starting from December 2021. The high yield from the NetCo Bonds have helped to support the healthy DPU as other business costs increased.</li> <li>• The NetCo Bonds are carried at cost and are not revalued on an annual basis.</li> </ul> <p>(iii) <b>Can the manager clarify if this is a passive investment with no management commitment and that there are no synergies with the trust's core business?</b></p> <ul style="list-style-type: none"> <li>• This is a passive investment with no operational management risks or capex obligations for Keppel DC REIT, as M1 will perform the day-to-day operation and maintenance of the Network Assets.</li> <li>• This investment is in line with Keppel DC REIT's mandate to invest in assets necessary to support the digital economy. This is also consistent with Keppel DC REIT's objective to provide Unitholders with regular and stable distributions. as Keppel DC REIT benefits from further diversification in income streams from the enlarged asset base. In addition, the increased portfolio size will also create a stronger platform for acquisition growth due primarily to better access to both the capital markets and the debt markets.</li> </ul> <p>(iv) <b>Can the audit and risk committee (ARC) highlight the major risks associated with investing in NetCo, and explain how the REIT is managing these risks?</b></p> <ul style="list-style-type: none"> <li>• An Independent Financial Adviser was appointed to advise the independent directors and the ARC on this transaction. In addition, the Trustee and the Manager also engaged an Independent Valuer for independent valuation and a technical consultant for due diligence.</li> <li>• Keppel DC REIT has 50% representation on the board of directors of NetCo, which enables oversight on the performance of NetCo and early line of sight of any issues that may pose any credit risks. Keppel DC REIT also does not assume any operational management risks and is not obligated to undertake any capex obligations.</li> <li>• M1, which holds 100% of the ordinary shares of NetCo, is an established telecommunications operator and is one of Singapore's leading Mobile Network Operators. M1 has been profitable for the past years and is one of the four major telecommunication companies in Singapore. <ul style="list-style-type: none"> <li>○ In Keppel Corporation Limited's latest 2022 annual report, the below was stated on page 16: <ul style="list-style-type: none"> <li>▪ M1's profits grew significantly, with the recovery in roaming, subscriber growth and higher revenue from its expanding enterprise business."</li> </ul> </li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>NetCo's credit risk is determined based on M1's ability to fulfil its contractual terms under the Network Services Agreement.</li> <li>The NetCo Bonds have provided and will continue to provide Keppel DC REIT with greater income resilience through diversification of income streams.</li> <li>The principal amount for the NetCo Bonds will be progressively repaid over the 15-year term, Keppel DC REIT's investment exposure will accordingly be reduced over time, with a payback period of approximately 8 years.</li> </ul>																																
8.	<p><b>In the portfolio review, the REIT has disclosed the top 10 clients and the revenue breakdown by clients' trade sector.</b></p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="284 616 766 907"> <p><b>Top 10 Clients<sup>1,2</sup> by Rental Income (%) for December 2022</b></p> <table border="1"> <tr><td>Internet Enterprise</td><td>35.9</td></tr> <tr><td>IT Services</td><td>8.0</td></tr> <tr><td>Telecommunications</td><td>7.8</td></tr> <tr><td>Telecommunications</td><td>5.8</td></tr> <tr><td>Internet Enterprise</td><td>4.9</td></tr> <tr><td>IT Services</td><td>4.3</td></tr> <tr><td>IT Services</td><td>3.5</td></tr> <tr><td>IT Services</td><td>3.0</td></tr> <tr><td>Telecommunications</td><td>2.9</td></tr> <tr><td>Internet Enterprise</td><td>2.9</td></tr> </table> </div> <div data-bbox="790 616 1021 952"> <p><b>Rental Income Breakdown by Clients' Trade Sector (%) for December 2022</b></p> <table border="1"> <tr><td>Internet Enterprise</td><td>44.0</td></tr> <tr><td>IT Services</td><td>28.5</td></tr> <tr><td>Telecommunications</td><td>21.3</td></tr> <tr><td>Financial Services</td><td>4.7</td></tr> <tr><td>Corporate</td><td>1.5</td></tr> <tr><td><b>Total</b></td><td><b>100.0</b></td></tr> </table> </div> </div> <p><small><sup>1</sup> The names of the clients cannot be identified and matched to the information set out above as many of the leases 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 prefer to keep their presence in a data centre facility confidential to minimise the risk of physical threats and/or intrusions into the data centre.</small></p> <p><small><sup>2</sup> 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, KDC SGP 3, KDC SGP 4 and KDC SGP 5 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.</small></p> <p><b>(Source: annual report)</b></p> <p><b>It was disclosed that the group has a high-quality global client base that is diversified, with the “majority of rental income” derived from clients with investment grade or equivalent credit profiles (page 41).</b></p> <p><b>(i) Can the manager offer greater clarity on the credit assessment process used for clients and prospective clients? How robust is the credit assessment?</b></p> <p><b>(ii) How many major clients hold credit ratings with investment-grade status? What percentage of revenue is derived from customers with investment grade ratings?</b></p> <ul style="list-style-type: none"> <li>Majority of our rental income is derived from clients with investment grade or equivalent credit profiles.</li> <li>We review the credit profile of our clients periodically and reference credit ratings assessed by independent rating agencies, predominantly Standard &amp; Poor's (S&amp;P), Moody's Investor Services (Moody's) and Fitch Ratings (Fitch) to classify, monitor and track the credit profile of our clients.</li> </ul>	Internet Enterprise	35.9	IT Services	8.0	Telecommunications	7.8	Telecommunications	5.8	Internet Enterprise	4.9	IT Services	4.3	IT Services	3.5	IT Services	3.0	Telecommunications	2.9	Internet Enterprise	2.9	Internet Enterprise	44.0	IT Services	28.5	Telecommunications	21.3	Financial Services	4.7	Corporate	1.5	<b>Total</b>	<b>100.0</b>
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