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Issuer: Keppel Infrastructure Fund Management Pte. Ltd.

Security: Keppel Infrastructure Trust

Meeting details:

Date: 16 April 2019

Time: 10.30 a.m.

Venue: Suntec Singapore Convention and Exhibition Centre, Summit 2, Level 3, 1 Raffles Boulevard, Suntec City Singapore 039593

Company Description

Keppel Infrastructure Trust is a listed business trust. The firm provides investors with the opportunity to invest in a large and well-diversified portfolio of core infrastructure assets located in jurisdictions with well-developed legal frameworks that support infrastructure investment. It aims to provide long-term, regular and sustainable distributions to its Unitholders. Keppel Infrastructure Trust was incorporated in 2007 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=A7RU)

1. On 19 February 2019, the trust completed the acquisition of Ixom HoldCo Pty Ltd (Ixom), one of the leading industrial and infrastructure businesses in Australia and New Zealand. The acquisition was approved by unitholders at an extraordinary general meeting (EGM) on 12 February 2019.

As a result, the trust's asset-under-management (AUM) increased from \$3.8 billion as at 31 December 2018 to \$5.2 billion.

- (i) **With the new asset under the trust's ownership for about two months since the acquisition, has Ixom performed up to management's expectations?**
- (ii) **Would the board help unitholders understand its deal sourcing process for mergers and acquisitions?**
- (iii) **As the trust has a global investment mandate, which are the other regions/cities that the manager finds attractive?**
- (iv) **With a gearing of approximate 41% following acquisition of Ixom, how much debt headroom does the trust have before it reaches the internal gearing limit (if any)?**
- (v) In the EGM circular, the trust had used an illustrative price of \$0.48 per new unit. However, the Placement units and the Preferential Offering units were priced at \$0.441 per new unit. **What is the impact on the trust as a result of the lower issue price?**
- (vi) **In the case of the acquisition of Ixom, can the board, especially the independent directors, elaborate further on the expected value-creation for minority unitholders?** Distribution per unit is not expected to increase while "DPU yield" is calculated to increase based on the arbitrary use of the projected issue price of \$0.48 per new unit. **Funds from operations ("FFO") for the entire group is projected to increase from \$161 million to \$221 million without lifting DPU due to the increase in issued units. Based on the 4.5% "performance fees" from the cash flow received, the manager is expected to get a boost in "performance fee" of \$2.7 million (estimated).**

2. In March 2018, there was an unplanned outage in Basslink as a result of equipment damage by a third-party contractor during routine maintenance work.

In the section titled "Risk management", the group has disclosed the following:

Operational Risk

KIT's assets are built to operate within certain input specifications. Deviations from the specifications may affect the performance of the assets or the production processes. Each asset is also subject to wear and tear and there may be periodic downtime for repairs and maintenance. If downtime exceeds the contractual allowance, affecting availability or production, cashflows may be affected.

Each asset has a set of standard operating procedures including the implementation of various quality management systems such as ISO9001, Hazard Analysis Critical Control Point that are for the day-to-day operations and regular maintenance of the assets to ensure that the assets are performing at optimal efficiency. The Trustee-Manager monitors, reviews and manages, with the Operations & Maintenance (O&M) contractor or appointed contract professionals, the operational risks of these assets regularly.

The Trustee-Manager, together with the O&M contractor or appointed contract professionals, continue to review and assess threats that could disrupt operations. The Trustee-Manager reviews the insurance plans and considers any necessary insurable risks are insured where commercial coverage plans are available. Business continuity plans are tested, reviewed and refined regularly to ensure the assets are ready to respond to these threats. In 2018, various drills were conducted to address threats such as chemical spillage, fire, IT disaster recover, terrorist attack and power outage. The Trustee-Manager will continue to enhance the robustness of KIT's assets' business continuity plans to ensure operational resilience.

- (i) **Has the group reviewed all its standard operating procedures to ensure that they have been updated and incorporate the industry's best practices, including regulatory compliance?**
- (ii) **What is the part played by senior management in setting the right tone in the group's operational standards including safety and environmental standards?**
- (iii) **How does the group monitor the compliance of its day-to-day operations?**

In addition, the disputes with the State of Tasmania and Hydro Tasmania have been referred to arbitration. **When does the board expect this to be resolved?**

3. The attendance of directors of the manager at board and board committee meetings is shown on page 131 of the annual report and reproduced below:

Board and Board committee meetings for FY 2018

	Board Meetings	Audit and Risk Committee Meetings	Nominating & Remuneration Committee Meetings	Conflicts Resolution Committee Meetings	Non-Executive Directors' Meeting (without presence of Management)
Koh Ban Heng	9	4	2	-	2
Thio Shen Yi	7	-	2	1	2
Daniel Cuthbert Ee Hock Huat	9	4	-	1	2
Mark Andrew Yeo Kah Chong	8	4	-	-	2
Kunnasagaran Chinniah	9	-	2	1	2
Christina Tan Hua Mui	7	-	1	-	2
Cindy Lim Joo Ling ²	4 out of 4	-	-	-	0 out of 0
Number of Meetings Held in FY 2018	9	4	2	1	2

(Source: 2018 annual report)

It is noted that three directors missed at least 1 board meeting during the financial year. The attendance of directors at board meetings was near exemplary in the past year.

- (i) As the trustee-manager's constitution allows directors to participate in a board meeting by way of conference by telephone or any other electronic means of communication, can the trust help unitholders understand if this was an option for directors who had missed the board meetings?**
- (ii) Can the trust help unitholders understand if there were extenuating circumstances that led the directors to be absent for the board meetings? How far in advance are board meeting scheduled? What are the reasons directors fail to make it to all the board meetings?**
- (iii) How can the trust and the company secretary work together with the directors to schedule the board and board committee meetings so that all the directors are able to attend the meetings and contribute to the effectiveness of the board?**