

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5116
COMPANY NAME : AL-`AQAR HEALTHCARE REIT
FINANCIAL YEAR : FYE DECEMBER 2020

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company/Fund is led by its Board of Directors that has full and effective control over the business undertakings from setting the overall strategic direction, allocating resources to the Management team to achieve the direction as well as oversee, scrutinise and monitor the Management to ensure that all actions and decisions made are consistent with the achievement of the Fund's short term and long-term plans.</p> <p>The Board retains effective control over important policies and processes such as internal controls, risk management, governance and compliance. The Board also assumes the responsibilities of reviewing, approving, adopting and monitoring the implementation of the annual strategic and business plan for the Fund and the Group as a whole.</p> <p>In discharging its responsibilities to meet the Fund's objectives and plans, the Board:-</p> <ul style="list-style-type: none">▪ Together with the senior Management team foster a healthy corporate governance culture which is founded on the principles of transparency, integrity and objectivity;▪ Ensure that the senior Management has the necessary skills and experience;▪ Ensure that the Company has in place an effective communication channel with stakeholders; and▪ Ensure that there is a sound framework on corporate reporting, including financial and non-financial reporting. <p>The Board also delegated certain of its responsibilities to the following Board Committees, which operate within clearly defined Terms of Reference of respective Committees:-</p> <ul style="list-style-type: none">▪ Audit and Risk Management Committee;▪ Investment Committee; and▪ Nomination and Remuneration Committee.

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company’s leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company is led by a Chairman, Dato’ Mohd Redza Shah bin Abdul Wahid. The Chairman provides leadership during Board meetings and acts as the conduit amongst the Board members that sparks discussions and debates which ultimately results in Board decisions. He also promotes a culture of openness and encourages active participation and allowing dissenting views to be freely expressed. Additionally, he ensures that all decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board.</p> <p>The Chairman is also present at the Annual General Meetings of the Fund and acts as the spokesperson for the Board to provide effective communication with stakeholders. The Chairman also managing the interface between the Board and the Management team and takes the lead in matters of good Corporate Governance practices and keeps abreast with new developments through participations in relevant seminars and training on the subject.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied
Explanation on application of the practice	:	The Chairman of the Board is Dato' Mohd Redza Shah bin Abdul Wahid whilst the Chief Executive Officer ("CEO") is Wan Azman bin Ismail. Their roles are separate and clearly defined as to foster a separation of responsibilities as leader of the Board and to ensure a balance of power and authority. The Chairman is responsible for leadership of the Board, ensuring that all its required functions and responsibilities are met. Whilst the CEO spearheads the business and day-to-day management of the Group and to implement the strategies directed by the Board.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	<p>Nuraliza A Rahman and Rohaya Jaafar are the Company Secretaries of the Company. The Company Secretaries work closely with the Board and Board Committees and play an important role in good governance by advising the Board and its Committees in compliance with the Listing Requirements, Companies Act 2016, Guidelines on Listed Real Estate Investment Trusts and other relevant laws and regulations.</p> <p>The roles and responsibilities of the Company Secretaries include, but are not limited to the following :-</p> <ul style="list-style-type: none"> ▪ Attend and record minutes of all Board and Committee meetings and facilitate Board communications; ▪ Advise the Board on its roles and responsibilities as well as corporate disclosures; ▪ Monitor corporate governance developments and assist the Board in applying governance practices to meet the Board's needs and stakeholders' expectations; ▪ Ensure the adherence to the Board's and Board Committee's policies and procedures; ▪ Advise the Board on its obligations to disclose material information to shareholders in a timely manner; and ▪ Manage processes pertaining to the General Meetings.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company’s leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied	
Explanation on application of the practice	:	The Company Secretaries will ensure proper and timely dissemination of information to the Board members. Prior to Board meeting, the Board members receive all the necessary materials related to the meeting’s agenda, at least 5 days in advance. This enables the Board members to engage in informed discussions during the meetings. The Company Secretaries prepares the Board/ Board Committee meeting minutes, properly recording issues deliberated, including how decisions and conclusions are arrived at.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	The Board has adopted a Board Charter which is available on the Fund's website at www.alaqar.com.my . The Board Charter defines the respective roles and responsibilities of the Board, the Board Committees, the Chairman and CEO as well as the matters reserved for the Board. The Board Charter is subject to periodic review to ensure it remains consistent with the change of law, regulatory requirement, and the Company's policy that affects the Board Charter.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company’s website.

Application	:	Applied	
Explanation on application of the practice	:	In promoting a good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness, the Board has adopted a Code of Conduct and Ethics (“the Code of Conduct”) which is integrated into company-wide management practices. The Code of Conduct applies to all activities of the Directors and employees which helps to define how the Company runs its business by setting the highest standards of conduct throughout the Company.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established and adopted the following policies which is available on the Fund's website at www.alagar.com.my:-</p> <ul style="list-style-type: none">▪ Anti-Bribery and Anti-Corruption Policy; and▪ Whistle Blowing Policy. <p>The above policies are made available to all Directors and employees and compliance is mandatory. The Board encourages all stakeholders to raise concerns or complaints under the Whistle Blowing Policy regarding any violation of the business conduct. The policies are reviewed periodically by the Board and revised as and when appropriate.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company is governed by the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia and complied with Chapter 3.04 of the said guidelines which states that the Board must comprise at least two independent members, while maintaining a minimum ratio of at least one-third independent members at all times. Currently, the Board consists of three Independent Directors out of its seven members.	
		Notwithstanding the above, the Board take cognisance of the Code's recommendation that at least half of the Board comprises independent directors.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>All the Independent Directors comply with the relevant criteria for independence as defined under Paragraph 1.01 of the Listing Requirements. Nonetheless, one (1) director has exceeded her tenure on the Board for a cumulative term of more than nine (9) years since her appointment date.</p> <p>Pursuant to Practice 4.2 of the MCCG, she may be re-designated as Non-Independent Non-Executive Director in order to continue to hold office as a Director of the Manager or be re-elected as Non-Independent Non-Executive Director. She has decided not to seek re-election at the next AGM.</p> <p>In view thereof, the Board with the recommendation of the NC agrees and supports her decision and will proceed to find a suitable candidate to replace her as an Independent Non-Executive Director of the Manager subject to the approval of the SC so as to comply with the Bursa Listing Requirements as well as Practice 4.2 of the MCCG.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Not Applied	
Explanation on adoption of the practice	:		
Explanation for departure	:	The Board adopts the Code's recommendation pertaining to the limit of tenure of the independent directors in its Board Charter. However, one (1) director has exceeded her tenure on the Board for a cumulative term of more than nine (9) years since her appointment date as explained under Practice 4.2 above.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied
Explanation on application of the practice	:	<p>The Nomination Committee (“NC”) is empowered to bring to the Board recommendations as to the appointment of any new Director(s) and member(s) of the senior Management team. The NC is chaired by Dato’ Mohd Redza Shah bin Abdul Wahid, who is an Independent Director.</p> <p>In deliberating the proposed appointment of any new Director(s) and senior Management team, the NC is guided and takes into account the skills, qualifications, knowledge and experience of the candidate as well as the structure of the Board and its Committees.</p> <p>The task of identifying suitably qualified candidates for appointment of Directors of the Board is carried out by the NC and relies on multiple channels of recommendation, including endorsement from Board members, internal promotion from Management team and major shareholders.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board acknowledges the recommendation of the Code pertaining to the establishment of boardroom gender diversity policy. However, the Board is of the view that the suitability of candidates is dependent on each candidate's competency, skills, experience, character, time commitment, integrity and other qualities in meeting the needs of the Company, regardless of gender.	
		However, the Board endeavours to have diversity of Board and its workforce in terms of gender, cultural background and age. Currently, the Board consists of a female Director out of its seven members.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>In searching for suitably qualified candidates for the Company, high regard and emphasis are placed on the ability of the candidate, who shall have the relevant skills and knowledge pertaining to the industry. In practice, upon the need to seek for a candidate for appointment as directors, the NC will source for candidates via recommendations from existing Board members or major shareholders.</p> <p>Before being appointed as a director, the Board, via the NC, assesses each potential candidate regardless of the source of the recommendation, based on amongst others, the candidate's integrity, independence, diversity in terms of age, gender, cultural background and experience, leadership and ability to exercise sound judgement.</p> <p>Going forward, the Board will, nonetheless, consider sourcing candidates from external sources as one of the avenues.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	The Nomination and Remuneration Committee ("NRC") is chaired by Dato' Mohd Redza Shah bin Abdul Wahid, who is an Independent Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied
Explanation on application of the practice	:	<p>The NRC carries out an annual evaluation of the effectiveness of the Board and the performance of the Board Committees against a set of criteria that encompasses a diverse set of skills and experience in the fields of, amongst others, accounting, business and management, marketing, risk management, information technology and finance. The assessment also includes an aspect of the Board’s and Board Committees’ structure, operational conduct and its role and responsibilities.</p> <p>The evaluation process was conducted internally and facilitated by the Company Secretaries. During the process, questionnaires were sent to the Directors, and the results were reported to the NRC. The summary of the evaluation is shared with the Board thereafter. The results of evaluation and recommendations of the NRC were considered by the Board and follow up action is taken where necessary with a view to enhancing the effectiveness of the Board in the discharge of its duties and responsibilities.</p> <p>The Board is also considering to enhance the evaluation by introducing and implementing a 360 evaluation involving the Board, the management and the Chairman in totality. The proposal will be deliberated by the NRC and shall be tabled to the Board for approval for implementation.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises that to attract, retain and motivate Directors and senior Management of good calibre to drive and pursue the long-term objectives of the Fund, it is important to have a fair and competitive remuneration package that commensurate with their experiences, skills, responsibilities, performances, contributions as well as benchmarking against the remuneration practices and trends by other similar players in the market.</p> <p>The Remuneration Committee ("RC") reviews and recommends to the Board on the framework of remuneration policy and package for the Directors and the senior Management personnel. It is to be noted that such remuneration is paid by the Company and not by the Fund. The remuneration policy takes into account the demands, complexities and performance of the Company as well as skills-set and relevant experiences required. For Independent Directors, the Board ensures that the remuneration does not conflict with their obligation to bring objectivity and independent judgment on matters discussed at the Board meetings.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has set up a Remuneration Committee ("RC") which comprises only Independent Non-Executive Directors. The primary responsibility of the RC is to assist the Board with the following functions:</p> <ul style="list-style-type: none"> ▪ To review and to consider the remuneration of Executive Director is in accordance with the skill, experience and expertise he possess and make recommendation to the Board on the remuneration packages. ▪ To conduct continued assessment of Executive Director to ensure that remuneration is directly related to corporate and individual performance. ▪ To review the Directors' fees. ▪ To establish the remuneration policy and procedures for Directors and senior management for recommendation to the Board.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The remuneration of the directors is paid by the Company and not by the Fund. However, the Board ensures that the remuneration policy takes into account the demands, complexities and performance of the Company as well as skills-set and relevant experiences required. For Independent Directors, the Board ensures that the remuneration does not conflict with their obligation to bring objectivity and independent judgment on matters discussed at the Board meetings.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board is of the view that such disclosure may not be in the best interest of the Company due to confidentiality and security concerns, for example, vulnerability of these personnel being poached by competitors as well as potential disgruntlement amongst the personnel concerned when they note how much their fellow colleagues are drawing, notwithstanding that the disclosure is in bands of RM50,000 each.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Applied	
Explanation on adoption of the practice	:		
Explanation for departure	:	Not adopted as explained under Practice 7.2 above.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board Audit and Risk Committee (BARC) comprises of two Independent Non-Executive Directors and one non-independent non-executive Director.</p> <p>The BARC Chairman is Zainah Mustafa is an Independent Non-Executive Director . She is not the Chairman of the Board.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	None of the BARC members were former key audit partners of any external audit firms. The Company will ensure that the cooling-off period of 2 years requirement is complied with, if and when the Manager is proposing such an appointment to the BARC.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	<p>The BARC annually assessed the independence and objectivity of the external auditors during the year and prior to any appointment of the external auditors.. The method involved a recommendation process from the holding company of the REIT Manager regarding the track record and prior performance of the external auditors and an evaluation checklist completed by Management. The evaluation process centres around the areas below:</p> <ul style="list-style-type: none"> ▪ Calibre of the external audit firm ▪ Quality of the audit process, scope and planning ▪ Effectiveness of the audit communications ▪ Auditors' independence and objectivity <p>The results of these assessments formed the basis of the BARC's evaluation of the External Auditors.</p> <p>The Committee also received the external auditor's policies and written confirmation regarding their independence and the measures used to control the quality of their work.</p> <p>The BARC was satisfied with the independence of the present external auditor Ernst and Young ("EY") based on the quality of audit, performance, competency and sufficiency of the resources that EY provided to the Fund. The BARC has recommended EY's remuneration for the financial year 2020 and has obtained approval of the Board on 25 November 2020.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Not Applied
Explanation on adoption of the practice	:	<p>The AC members comprise of two Independent Non-Executive Directors and one Non-Independent.</p> <p>The composition of the AC is as follows:</p> <p>Zainah Mustafa - Chairman, Independent Non-Executive Director Dato' Wan Kamaruzaman Wan Ahmad, Independent Non-Executive Director 3. Yusof bin Ahmad, NINE Non-Independent Non-Executive Director.</p>

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	<p>Zainah Mustafa is currently a Fellow Member of the Association of Certified Chartered Accountants (ACCA). This meets the requirement of Paragraph 15.09 (1) (c) of the MMLR which stipulates at least one of the Committee members fulfils the financial expertise requisite.</p> <p>She joined JCorp in October 1978 and has held various roles including as its Group Chief Financial Officer before retiring on 31 October 2002.</p> <p>Dato' Wan Kamaruzaman holds a Bachelor of Economics majoring in Analytical Economic (Hons) from the University of Malaya. Dato' Wan Kamaruzaman Wan Ahmad had previously served as the General Manager, Treasury Department of the Employees Provident Fund (EPF) and Malayan Banking Berhad.</p> <p>Mohd Yusof Bin Ahmad holds a Bachelor degree in Surveying (Property Management) from Universiti Teknologi Malaysia. His experiences include Property Management, Marketing and Corporate Office and Corporate Planning. He is currently the Executive Director of Johor Land Berhad.</p> <p>.</p> <p>Collectively, BARC members are financially literate and qualified individuals having the essential skills and expertise to discharge the Committee's functions and duties.</p> <p>In 2020, BARC members have attended various conferences, seminars and trainings. Details of the training attended are reported at Practice 2.1, page 89 of the Annual Report.</p> <p>The BARC demonstrates an appropriate level of vigilance and diligence towards, among others, detection of any financial anomalies or irregularities in the financial statement.</p> <p>The Board is satisfied with the composition, performance and effectiveness of the BARC throughout the year. The full details of the BARC activities in 2020 are elaborated in the Annual Report on page 86 to 89.</p>

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board affirms its overall responsibility for establishing the Group's system of internal controls and risk management framework as well as reviewing its adequacy, integrity and effectiveness. The Board has put in place a sound governance structure, risk management framework and internal control system pursuant to Principle B(II) of the Malaysian Code on Corporate Governance 2017 to ensure effective oversight of the principal risks and controls in the Group.</p> <p>In order to further strengthen the risk management and compliance functions of the Group, the Compliance and Risk Management Department act as the centralised risk management function, to provide a holistic and an enterprise-wide view of the risk and compliance for the REIT Manager and the Fund.</p> <p>The Group has established the Internal Policy and Framework, approved by the Board on 25 November 2020 to further strengthen its Standard Operation Procedures and Internal Policies.</p> <p>The Group has put in place the Enterprise-Wide Risk Management ("ERM") framework for managing risks associated with its business and operations. The ERM framework features a risk governance structure that comprises of 3 levels of defence with clear lines responsibilities and accountabilities. The ERM framework which reviewed in 2020, serves as a guide to ensure an appropriate and sound system of internal controls are in place.</p> <p>In managing compliance risk, the Manager has also put in place a revised Limit of Authority Policy which was approved by the Board on 25 November 2020 and will take effect 1 January 2021.</p> <p>In mitigating integrity risk, the Manager has launched its Anti Bribery & Corruption (ABC) Policy and Whistleblowing Procedures on 1 June 2020. These policies are guided by the Guidelines on Adequate Procedures issued under section 17A (2009) of the MACC Act.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established and organisation structure with clearly defined lines of accountability and responsibility to support the ideal control environment.</p> <p>With effect from 25 November 2020, The Manager has established the Enterprise Risk Management Committee ("ERMC") at the REIT Manager level. The ERMC reviews and recommends to the BARC on any changes in the policy, framework, standards and procedures, and their implementation where applicable for BARC's deliberation.</p> <p>The BARC reviewed the adequacy and effectiveness of the risk management framework and make recommendations, if any. Any issues raised and actions taken by Management to address these issues were deliberated in the BARC meetings and the minutes of the meetings were then presented to the Board.</p> <p>The BARC also evaluates the effectiveness of ERM and the process of assessing and managing the Group's Principal risks. The ERMC also review and evaluate the risk identification (on quarterly basis/ or when necessary), risk exposures and management of the mitigation plans of the risks identified.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application :	Not Applied
Explanation on adoption of the practice :	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied
Explanation on application of the practice	:	<p>The Manager has entered into an outsourcing arrangement with Crowe Governance Sdn Bhd (CGSB) to carry out its internal audit function on the Fund. The</p> <p>The appointed internal auditor, as the third line of defence, independently and objectively reviews the effectiveness of the internal control structures over the Group activities focusing on high risk areas as determined using a risk-based approach. All high risk activities in each auditable area are audited annually in accordance with the BARC approved Internal Audit Plan.</p> <p>CGSB also serves as an important source of reasonable assurance and advice for the BARC concerning areas of weaknesses or deficiencies in internal control processes to facilitate appropriate remedial improvements by the Management. CGSB also carries out investigative audits when and where required.</p> <p>CGSB reports directly to the BARC, and is independent of the business activities or operations of the Group.</p> <p>CGSB authority, scope and responsibilities are governed by its Audit Charter which is approved by Audit Committee and aligned with the International Professional Practice Framework on Internal Auditing issued by the Institute of Internal Auditors.</p> <p>The audit reports which provide the findings and results of the audit conducted are discussed with the Management and presented to the BARC for review and deliberation. Key control issues, significant risks and recommendations are highlighted, along with Management's responses and action plans for improvement and/or rectification, where applicable.</p> <p>This enables the BARC to execute its oversight function by reviewing and deliberating on the audit issues, audit recommendations as well as Management's responses to these recommendations. Where appropriate and applicable, the BARC directs the Management to take cognizance of the issues raised and established necessary steps to strengthen the system of internal control based on CGSB's recommendations.</p> <p>The BARC held a separate, closed session, independent of the Management team, with CGSB's internal audit team twice a year. This is to assure that CGSB receives full co-operation and reasonable access to information from the management and representatives of the Manager to the extent that it is deemed necessary by the internal audit</p>

	<p>team and the Manager.</p> <p>The BARC is satisfied that the CGSB has been effective and able to discharge its duties and responsibilities in accordance with the approved Audit Plan in 2020.</p>	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	<p>CGSB is headed by Amos Law, Executive Director. He hold the professional Qualifications of Certified Internal Auditor (“CIA”), Chartered Institute of Internal Auditors (“CMIA”) and Certification in Risk Management Assurance (“CRMA”).</p> <p>The internal audit team at CGSB consists of 23 permanent internal audit personnel staff who are qualified in the areas on internal audit and assurance.</p> <p>Scope and responsibilities are governed by its Audit Charter which has been approved by the BARC and is aligned with the International Professional Practice Framework on Internal Auditing issued by the Institute of Internal Auditors (IIA) .</p> <p>All the internal CGSB audit personnel involved are free from any relationships or conflicts of interest, which could impair their objectivity and independence. All employees in Crowe Malaysia are required to complete the Independence Declaration Form on annually basis. In addition, all the internal audit personnel involved are required to acknowledge on the Employee Professional Conduct and Ethics Declaration on assignment basis.</p> <p>All the internal audit personnel are guided by International Professional Practices Framework issued by The Institute of Internal Auditors Malaysia in carrying out the internal audit function.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of maintaining transparency and accountability to the stakeholders of The Company/Fund . The Board believes that regular engagements will enhance stakeholders' understanding and appreciation of the Company/Fund 's business strategies, financial performance, current initiatives and prospects of the business. These engagements are undertaken at both the Company and property levels with stakeholders such as investors and tenants as it is crucial to address their concerns in times of uncertainties impacted by the Covid-19 crisis.</p> <p>The Company is highly committed to ensure that relevant and material corporate information is shared with the Company/Fund 's unitholders and investing community effectively. The Company/Fund maintains a corporate website, http://www.alaqar.com.my to disseminate up-to-date and historical information and enhance its investor relations practices. The Investor Relations section on the website provides investor-related information such as financial information, announcements released to Bursa Securities, general meetings materials, circulars and distribution information. Stakeholders will also have access to corporate governance information including but not limited to the Board Charter, Terms of Reference, Whistleblowing Policy and Anti-Bribery & Corruption Policy.</p> <p>Further, as part of the Company/Fund 's active investor relations programme, discussions and dialogues are held with fund managers, financial analysts, unitholders and the media to convey information about the Company/Fund 's performance, corporate strategy and other matters affecting unitholders' interests. The results of which are tracked and released to the stakeholders where appropriate.</p> <p>The Company communicates information on The Company/Fund to Unitholders and the investing community through announcements that are released to Bursa Securities via Bursa LINK. Such announcements include the quarterly results, material transactions and other developments relating to the Company/Fund requiring disclosure under the Listing Requirements. Communication channels with Unitholders are also made accessible via:</p> <ul style="list-style-type: none">• Press and analysts' briefings;• One-on-one/group meetings, conference calls;• Quarterly reports and annual reports;• Press releases on major developments of the Company/Fund ;• Notices of, and explanatory notes for AGMs; and• The Company/Fund 's website at http://www.alaqar.com.my <p>The Company has in place the Investor Relations team to facilitate</p>

	effective communication with unitholders, analysts, fund managers and media. The email address, name and contact number of the Company's designated person also available in the Company/Fund 's website to enable the public to forward queries relating to the Company/Fund to the Company.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other’s objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Company/Fund’s Annual Report 2020 provides a comprehensive overview of the Fund’s performance through the following sections: Management Discussion and Analysis, Corporate Governance Overview Statement, Statement on Risk Management and Internal Control and Financial Statements. The Board strives to disclose all matters in an open and transparent manner such that Stakeholders can make informed decisions.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied
Explanation on application of the practice	:	<p>The Annual General Meeting is a vital platform for dialogue and interaction for effective communication and proactive engagement between the Board and unitholders of the Company/Fund. For this reason, the Notice of AGM together with related circular/statement to unitholder is issued at least a month prior to the scheduled date of the AGM to all unitholders.</p> <p>The Company shall circulate the Notice of AGM setting out the businesses to be transacted at the AGM with explanatory notes for each proposed resolution to enable unitholders to make informed decisions while exercising their voting rights.</p> <p>The Notice of AGM was also advertised in the local daily newspapers (English and Bahasa Melayu) and announced to Bursa Securities via Bursa LINK. An Administrative Guide, which furnished useful information regarding the conduct of the AGM, together with the explanatory guide to the use of the electronic polling process were given to the unitholders in advance.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	<p>All Directors of the Company were present at the 8th AGM to engage with Unitholders. Besides, the Trustee, the Management Team, external auditors and the advisers were in attendance to address questions or concerns raised by unitholders. The Chairman of the meeting presented the progress and performance of the business and encouraged unitholders to participate in the Q & A session.</p> <p>The Chairman of the 8th AGM also invited Unitholders to raise questions relating to the resolutions tabled, before putting them to vote. Subsequent to the clarifications provided to the queries raised by the Unitholders, the meeting proceeded with the voting process.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Applied
Explanation on application of the practice	:	<p>In line with the Government's Initiative and the Securities Commission Malaysia Guidance Note, as a precautionary measure amid Covid-19, the Company/Fund has conducted its 8th AGM on a fully virtual basis via live streaming and online remote voting on 25 June 2020. The Broadcast Venue of the 8th AGM at the Company's corporate office was strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the meeting to be at the main venue. No Unitholders/Proxy(ies) was allowed to be physically present at the Broadcast Venue on the day of the 8th AGM.</p> <p>The voting of all resolutions set out in the notice of the 8th AGM was conducted by poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Company/Fund has appointed Mega Corporate Services Sdn. Bhd. as Poll Administrator to conduct the poll by way of electronic voting and Cygnus IT Solutions PLT as Independent Scrutineers to verify the poll results.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

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