



# BOARD CHARTER OF AL-`AQAR HEALTHCARE REIT

## 1. INTRODUCTION

The Board of Directors of the Manager ("the Board") regards corporate governance as vitally important to the success of Al-`Aqar Healthcare REIT ("Al-`Aqar" or "the Fund") business and is unreservedly committed to applying the principles necessary to ensure that the following principles of good governance are practised in all of its business dealings in respect of its unitholders and relevant stakeholders:

- The Board is the focal point of the corporate governance system. It is ultimately accountable and responsible for the performance and affairs of Al-`Aqar.
- All Board members are expected to act in a professional manner, thereby upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.
- All Board members are responsible for achieving a high level of good governance.

This Board Charter shall constitute and form an integral part of each Director's duties and responsibilities.

## 2. OBJECTIVE

The objectives of this Board Charter are to ensure that all Board members acting on behalf of the Manager are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and to ensure that the principles and practices of good corporate governance are applied in all their dealings in respect, and on behalf of Al-`Aqar.

## 3. THE BOARD

### 3.1 Role

The key roles of the Board are to:

- a) Guide the corporate strategies and directions of the Manager (including acquisition and divestment of Authorised Investment);
- b) Oversee the proper conduct of the Manager (including budgeting approval and all other financial matters);
- c) Set the guidelines for internal controls;

- d) Ensure compliance with the Relevant Laws and Requirements;
- e) Determine and approve the distribution amounts to Unitholders and payment of the Management Fee; and
- f) Evaluate and approve the acquisition and divestment of Authorised Investment.

### 3.2 Composition and Board Balance

The composition of the Board of Directors is as follows:

- 1) 1 Non-Independent Non-Executive Chairman
- 2) 4 Non-Independent Non-Executive Directors
- 3) 3 Independent Non-Executive Directors
- 4) 1 Non-Independent Executive Director

### 3.3 Appointments

The appointment of a new Director is a matter for consideration and decision by the full Board upon appropriate recommendation from the Nomination and Remuneration Committee.

New Directors are expected to have such expertise so as to qualify them to make a positive contribution to the Board performance of its duties and to give sufficient time and attention to the affairs of Al-`Aqar.

The Company Secretary has the responsibility of ensuring that relevant procedures relating to the appointments of new Directors are properly executed.

### 3.4 Directors' Training

In addition to the Mandatory Accreditation Programme ("MAP") as required by Bursa Malaysia Securities Berhad ("Bursa Securities"), Board members are also encouraged to attend seminars and training programmes organised by the relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in laws, regulations and the business environment. The Board will assess the training needs of the Directors.

The Board is also constantly updated by the Company Secretary on changes to the relevant



# BOARD CHARTER OF AL-`AQAR HEALTHCARE REIT

guidelines on the regulatory and statutory requirements.

## 3.5 Board Meetings and Supply of Information

The Board meets regularly at least once every quarter to discuss and approve the release of the quarterly and annual financial results, review acquisitions or disposals, annual budget, capital expenditure requirements, property reports, investor relations reports, performance of the Manager and Al-`Aqar against the approved budget. When necessary, the Board meets at a special meeting to review and approve acquisitions or disposals for recommendation to the trustee of Al-`Aqar or any other issues requiring the immediate attention of the Board.

Notices and agenda of meetings duly endorsed by the Chairman together with the relevant board papers are normally given at least one (1) week prior to the meetings for the Board to study and evaluate the matters to be discussed.

The board papers provided include inter alia, the financial results, business plan and budget, progress report on the properties' developments, regulatory/statutory updates and other operational and financial issues for the Board's information and/or approval.

## 4. CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

### 4.1 Chairman

The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role. The Chairman is responsible for:

- a) Leading the Board in setting the values and standards of Al-`Aqar;
- b) Maintaining a relationship of trust with and between the Executive and Non-Executive Directors;
- c) Ensuring the provision of accurate, timely and clear information to Directors;
- d) Ensuring effective communication with unitholders and relevant stakeholders; and
- e) Ensuring that members of the Board work together with the Management in a constructive manner to address strategies, business operations, financial performance and risk management issues.

### 4.2 Chief Executive Officer ("CEO")

- 4.2.1 The CEO is the conduit between the Board and the Management in ensuring the success of the governance and management functions of Al-`Aqar.
- 4.2.2 The CEO has the executive responsibility for the day-to-day operation of business, and the execution of the agreed business policies and directions set by the Board and of all operational decisions in managing Al-`Aqar.
- 4.2.3 All Board authorities conferred on the Management is delegated through the CEO and this will be considered as the CEO's authority and accountability as far as the Board is concerned.

## 5. COMMITTEES

In carrying its functions, the Board is supported by the Audit Committee, Executive Committee and Nomination and Remuneration Committee, all of which operate within defined terms of reference. These committees provide the appropriate checks and balances.

### 5.1 Audit Committee

#### A. Membership

- (i) The members of the Committee shall be appointed by the Board and shall consist of not less than 3 members.
- (ii) All members must be Non-Executive Directors.
- (iii) All members should be financially literate and at least one member must be a member of the Malaysian Institute of Accountants (MIA) or have the relevant qualifications and experience as specified in the Bursa Malaysia Securities Main Market Listing Requirements.
- (iv) The Chairman of the Committee, elected from amongst the Audit Committee members shall be an Independent Director.
- (v) No alternate Director of the Board shall be appointed as a member of the Committee.



# BOARD CHARTER OF AL-`AQAR HEALTHCARE REIT

## B. Purposes

- (i) To ensure transparency, integrity and accountability in the Fund's activities so as to safeguard the rights and interests of the Unitholders;
- (ii) To provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;
- (iii) To improve the Fund's business efficiency, the quality of the accounting and audit function and strengthen public confidence in the Fund's reported financial results; and
- (iv) To maintain open lines of communication between the Board and the External Auditors.

## C. Duties and Responsibilities

The objective of the Audit Committee is to assist the Board in fulfilling its fiduciary responsibilities relating to corporate governance, internal controls, financial and accounting records and policies as well as financial reporting practices of Al-`Aqar. The Audit Committee's responsibilities include:

- (i) To review the quarterly and year-end financial statements of the Fund prior to the approval by the Board;
- (ii) To provide an independent assessment of the adequacy and effectiveness of risk management functions;
- (iii) To review the internal audit programme, the results of the internal audit process or investigation undertaken and ensure that appropriate action is taken on the recommendations of the internal audit function;
- (iv) To review with external auditors the audit plan, scope of audit and audit reports; and
- (v) To review any related party transactions and conflict of interest situation that may arise.

## D. Meetings

A minimum of 4 meetings shall be planned during the financial year and the quorum for the meeting shall be 2 members. In the absence of the Chairman, the members present shall elect a chairman for the meeting from amongst the members present. Reports of the Committee meeting shall be tabled by the Audit Committee Chairman at the Board of Directors meeting.

## 5.2 Executive Committee

The Committee meets on a scheduled basis at least 4 times a year. The minutes of the Executive Committee meetings are tabled to the Board for noting and for action by the Board, where necessary.

This committee oversees the activities of the Manager and Al-`Aqar on behalf of the Board which includes:

- (a) Making recommendations to the Board on all acquisitions, investments and disposals;
- (b) Making recommendations to the Board on any financing offers, capital management proposals and additional banking facilities;
- (c) Reporting and recommending to the Board any corporate exercise, including the issuance of new Al-`Aqar units;
- (d) Making recommendations to the Board on financial budgets; and
- (e) Forwarding summary reports on activities undertaken by the Manager and minutes of Executive Committee meetings to Board members, where applicable.

## 5.3 Nomination and Remuneration Committee

The main responsibilities for the Nomination and Remuneration Committee includes:

- i) Ensure that the Board comprises Directors with appropriate skills, knowledge, expertise and experience;
- ii) Establishing, reviewing and recommending to the Board, the remuneration packages of Chief Executive Officer/Executive Director and reviewing his performance against the goals and objectives set.



# BOARD CHARTER OF AL-`AQAR HEALTHCARE REIT

## 6. REMUNERATION POLICIES

The remuneration of the Directors is paid by the Manager and not by the Fund. The remuneration of the Executive Director is structured based on linking rewards to corporate and individual performance. For Non-Executive Directors, they receive a basic fee, an additional fee for serving on any of the committees and an attendance fee for participation in meetings of the Board and any of the committee meetings.

## 7. FINANCIAL REPORTING

### 7.1 Compliance Officer

The Manager has a designated compliance officer working towards ensuring the compliance with all legislations, rules and guidelines issued by the Securities Commission and Bursa Securities as well as Al-`Aqar's Deed.

### 7.2 External Auditors

The Board has established formal and transparent arrangements for considering how financial reporting and internal control principles will be applied and for maintaining an appropriate relationship with the External Auditors through its Audit Committee.

The Audit Committee also keeps under review the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the External Auditors. The Board ensures that the External Auditors do not supply a substantial volume of non-audit services.

The appointment of External Auditors, who may be nominated by the Manager, must be approved by the Trustee. The External Auditors appointed must be independent of the Manager and the Trustee. The remuneration of the External Auditors must be approved by the Trustee.

## 8. RISKS MANAGEMENT

### 8.1 Internal Control

The Board is responsible for maintaining a system of internal control that covers financial and operational controls and risk management. The system provides reasonable but not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

### 8.2 Conflict of Interest

The Manager has established the following procedures to deal with potential conflicts of interest and related party transactions which it (including its Directors, executive officers and employees) may encounter in managing Al-`Aqar Healthcare REIT:-

- a) Any related party transaction must be duly disclosed by the related parties to the Audit Committee and the Board;
- b) The Audit Committee shall review the terms of the related party transaction before recommending to the Board;
- c) The Board shall ensure that at least one-third of its Directors are Independent Directors; and
- d) In circumstances where any Director or officer of the Manager may have a direct or indirect interest in any related party transaction, they will abstain from deliberation and voting at any Board meeting and will require the Trustee's approval prior to entering into any transaction/agreement.

The Manager shall avoid instances of conflict of interest in any transaction and shall ensure that Al-`Aqar is not disadvantaged by the transaction concerned. In addition, the Manager shall ensure that such transactions are undertaken in full compliance with the SC REIT Guidelines, the Trust Deed and the Listing Requirements.

### 8.3 Related Party Transactions

In dealing with any related party transaction, all related party transactions carried out by or on behalf of Al-`Aqar should be conducted as follows:-

- a) Carried out in full compliance with the REIT Guidelines and the Trust Deed;
- b) Carried out at arm's length basis;
- c) In the best interest of unitholders;
- d) Adequately disclosed to unitholders;
- e) Consented by the Trustee; and
- f) Consistent with the investment objectives and strategies of Al-`Aqar.

All related party transactions are subject to review by the Audit Committee prior to recommendation to the Board. If a member of the Audit Committee has an interest in a transaction, he is to abstain from participating in the review and recommendation process in relation to that transaction.



# BOARD CHARTER OF AL-`AQAR HEALTHCARE REIT

## 8.4 Internal Audit

The Internal Audit function is outsourced and undebby Crowe Horwath Governance Sdn Bhd effective from 12 January 2017. The primary obligation, accountability and responsibility with regards to the scope of internal audit services shall remain with the Board and the Manager at all times.

## 9. ANNUAL GENERAL MEETING (AGM)

The Board regards the AGM as an important event in the corporate calendar of which all Directors and key personnel should attend. The Board regards the AGM as the principal forum for dialogue with unitholders and aims to ensure that the AGM provides an important opportunity for effective communication with, and constructive feedback from the unitholders.

The Chairman encourages active participation by the unitholders during the AGM. The Chairman and where appropriate, the Chief Executive Officer responds to unitholders' queries during the AGM.

## 10. COMMUNICATION AND INVESTOR RELATIONS

The Board values constant dialogue and is committed to clear communication with unitholders and investors. In this respect, as part of Al-`Aqar's active investor relations programme, discussions and dialogues are held with fund managers, financial analysts, unitholders and the media to convey information about Al-`Aqar's performance, corporate strategy and other matters affecting unitholders' interests.

The Manager communicates information on Al-`Aqar 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 Al-`Aqar requiring disclosure under the Listing Requirements of Bursa Securities. Communication channels with unitholders are also made accessible via:-

- Press and analysts' briefings
- One-on-one/group meetings, conference calls, investor luncheons, domestic/overseas roadshows and conferences
- Annual Reports
- Press releases on major developments of Al-`Aqar.
- Al-`Aqar's website at [www.alaqar.com.my](http://www.alaqar.com.my)

With the majority of units in Al-`Aqar held by institutional investors, the Manager considers meetings with local and foreign fund managers an

integral part of investor relations. These meetings and roadshows with investors enabled the Manager to update potential and current unitholders on Al-`Aqar's significant developments and its medium to long term strategies. Al-`Aqar also participates in various local and overseas conferences as part of its efforts to build interest in the Malaysia's real estate investment trust market.

In addition to ensuring that the published Annual Report is available to all unitholders and quarterly results announced to Bursa Securities, Al-`Aqar has established a website at [www.alaqar.com.my](http://www.alaqar.com.my) from which investors and unitholders can access for information.

While the Manager endeavours to provide as much information as possible to unitholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

## 11. COMPANY SECRETARY

The Board appoints the Company Secretary, who plays an important advisory role, and ensures that the Company Secretary fulfils the functions for which he/she has been appointed.

The Company Secretary is accountable to the Board on all governance matters.

The Company Secretary must keep abreast of, and inform the Board of current governance practices.

The Board members have unlimited access to the professional advice and services of the Company Secretary.