



STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

The Board is committed to nurture and preserve a sound system of risk management and internal controls and good corporate governance practises as set out in the Board's Statement on Risk Management and Internal Control made in compliance with Chapter 15, Paragraph 15.26 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD'S RESPONSIBILITY

The Board acknowledges its responsibility for maintaining a sound system of risk management and internal control to safeguard the unitholders' interests and the Fund's assets, as well as to discharge its responsibility in identifying principal risks and ensuring the implementation of an appropriate risk management and internal control system to manage those risks in accordance with Principle 6 – Recognise and Manage Risks of the Malaysian Code on Corporate Governance 2012.

The Board continually reviews the adequacy and effectiveness of the Manager's risk management and internal control system which has been embedded in all aspects of the Manager's activities and reviews the processes, responsibilities and assesses for reasonable assurance that risks have been managed within the Manager's risk appetite. It is to be noted that the Manager's risk management system by its nature can only reduce rather than eliminate the risk of failure to achieve the business objectives. As such, the systems can only provide a reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board has received assurance from the Chief Executive Officer that the Manager's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control framework of the Manager.

THE MANAGER'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The periodic meetings of the Board, Board Committees and management are the main platform by which the Manager's performance and conduct are monitored. The day-to-day operations of the business are entrusted to the CEO and the management teams. The CEO continuously communicates the Board's expectations and directions to the management at the management meetings where all risks relating to strategy, operational and financial are discussed and dealt with action plans.

The Board is responsible for setting the business direction and strategies as well as overseeing the conduct of the Manager's operations through its Board Committees and management reporting mechanisms. Through these mechanisms, the Board is informed of all major issues pertaining to risks, governance, internal controls and compliance with regulatory requirements.

RISK MANAGEMENT FRAMEWORK

The Manager adopts an Enterprise Risk Management (ERM) practices that enables it to continuously identify, assess, treat and manage risks that affect Al-Aqar in achieving its objectives within defined risk parameters in a timely and effective manner. All identified risks are recorded in a risk register to facilitate systematic review and monitoring.

The ERM practices are embedded into key activities and business processes, enabling proper risk management at the operation level of each property as well as the fund level. Risks identified shall be systematically evaluated with proper mitigating action plans developed to manage the risks to an acceptable level and monitored on a continuous basis.



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INTERNAL CONTROL

The following key elements embody the current internal control system adopted by the Manager:-

- The Board has put in place its own management reporting mechanisms which enable the Board to review the performance of the Manager and the Fund.
- The Board approves annual budgets and business plans prepared by each property.
- Investment strategies and criteria which are formulated by the management and agreed by the Executive Committee and/or recommendation on any acquisition or divestment would be presented to the Board for approval before forwarding to the Trustee for final approval.
- Comprehensive policies and procedures manual that provide guidelines on, and authority limits over various operations, financial and human resources matters.
- Regular management meetings involving the review of the operations and financial performance of each property.
- The Audit Committee with formal terms of reference clearly outlining its functions and duties delegated by the Board.
- The internal audit carried out by the outsourced internal auditor approved by the Audit Committee.
- A systematic performance appraisal system for all levels of staff.
- Relevant training provided to staff across all functions to maintain a high level of competency and capability.