



TERM OF REFERENCE

AUDIT COMMITTEE

Recognizing that an audit committee plays an important role in corporate governance, the Board of the Manager had established an Audit Committee to ensure that the interests of the unitholders of Al-`Aqar Healthcare REIT ("Al-`Aqar" or "the Fund") are protected and prioritised. The Audit Committee holds an important function, which is to assist the Board of the Manager to review, assess and to recommend proposals relating to internal controls, financial and accounting records and policies as well as financial reporting practices of Al-`Aqar.

COMPOSITION

The Audit Committee comprised of 3 Directors, all of whom are also members of the Board of the Manager.

The composition of the Audit Committee is as follows:

1. Zainah binti Mustafa
Chairman/Independent Non-Executive Director
2. Lukman bin Abu Bakar
Member/Non-Independent Non-Executive Director
3. Dr. Hafetz bin Ahmad
Member/Independent Non-Executive Director

MEETINGS

The committee meets on a scheduled basis at least 4 times a year.

DISCHARGING OF FUNCTIONS & DUTIES

The Audit Committee met its responsibilities in discharging its functions and duties in accordance with its terms of reference as follows :-

1. Overseeing Financial Reporting

- (a) Reviewed and discussed with Management the quarterly management accounts, taking into consideration that the necessary processes and controls are in place in the preparation of the financial reports.
- (b) Reviewed and discussed the quarterly results with Management. The Committee also reviewed and discussed the annual financial statements and the External Auditors' audit report with the External Auditors, Internal Auditors as well as Management. Having satisfied itself that the financial results and reports complied with relevant accounting standards & legal requirement, the Audit Committee duly recommended the same for the Board's approval.
- (c) Minutes of previous Committee meetings were tabled at the subsequent Board meetings by the Audit Committee Chairman. Significant issues were highlighted together with followed up actions to rectify them were reported to the Board.
- (d) The Committee took note of significant changes and amendments to the regulations, accounting standards and other regulatory requirements that could affect the financial reporting of Al-`Aqar.

2. Assessing Risks and Control Environment

- (a) The Committee reviewed the adequacy and effectiveness of the risk management framework and the appropriateness of Management's responses to key risk areas and proposed recommendations for improvements to be implemented.



TERM OF REFERENCE

- (b) The Management reported to the Committee on a quarterly basis, all identified risks that were recorded in a risk management scorecard which had facilitated systematic review and monitoring of the risk areas.
- (c) The Committee also reviewed and deliberated on matters relating to internal control highlighted by the External Auditors in the course of their statutory audit of the financial statements.

3. Evaluate the Audit Process

(i) Internal Audit

- (a) Reviewed the annual internal audit plan with Management to ensure adequate audit coverage of the key risk areas and processes of the business operations activities of Al-`Aqar.
- (b) Reviewed the adequacy and relevance of the scope, functions, resources, risk based internal audit plan and results of the internal audit processes.
- (c) Reviewed the audit activities carried out by the Management and discussed the audit reports, their major findings and recommendations to ensure corrective actions were taken in addressing the risk issues reported.
- (d) Monitored and reviewed the progress of follow-ups on audit findings to ensure remedial / corrective actions have been taken by Management on a timely basis.
- (e) Evaluated the adequacy and effectiveness of Internal Audit Function as well as the performance of the Internal Auditors against the audit plan.

(ii) External Audit

- (a) On 8 November 2016, the Audit Committee had reviewed and discussed with the Management and the External Auditors, Deloitte, the Audit Planning Memorandum for 2016. At the aforesaid meeting, the External Auditors explained their audit approach and system of evaluation inclusive of the areas of audit emphasis and scope for the year and their audit strategies as well as the audit procedures prior to the commencement of annual audit.

4. Reviewing Related Party Transaction & Conflict of Interest Situations

- (a) The Audit Committee reviewed the potential conflict of interest, related party transactions and recurring related party transactions based on its existing framework which requires that such potential conflict of interest, related party transaction and recurring related party transaction situations be:
 - Carried out in compliance with the REIT Guidelines and the Deed;
 - Carried out on an arms' length basis and under normal commercial terms;
 - Carried out in the best interest of the unitholders;
 - Abstention from voting at Board Meetings for interested parties;
 - Adequately disclose to the unitholders via Bursa Announcements, Quarterly Reports and Annual Report; and
 - Approved by the Trustee.
- (b) The Committee took note that there were no management conflict of interest situations for operational matters (including any transaction, procedure or course of conduct) as reported by the Chief Executive Officer at the quarterly meetings.



TERM OF REFERENCE

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee comprises Dato' Kamaruzzaman Abu Kassim as Chairman, Zainah Mustafa and Dr. Hafetz Ahmad. The main responsibilities for the Nomination function is to ensure that the Board comprises Directors with appropriate skills, knowledge, expertise and experience, as well as to ensure a proper balance Executive Directors and Independent Non-Executive Directors whilst the main responsibilities for the Remuneration function is 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.

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.