



CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the Manager (“the Board”) recognizes the value of good corporate governance and prioritizes in ensuring that high standards of corporate governance is upheld and practised with the ultimate objective of protecting and enhancing unitholders’ value and protecting the interests of all stakeholders. The Board is committed to ensure the continuity of good corporate governance practice that will add value to the business and affairs of the Manager.

The Manager has been guided by the measures set out in the Guidelines on Real Estate Investment Trust issued by the Securities Commission (REIT Guidelines), the Listing Requirements of Bursa Malaysia (Listing Requirements) and the principles and guidance of the new Malaysian Code on Corporate Governance 2017.

THE MANAGER’S ROLE

In accordance with the Deed, the Manager is appointed to manage the assets and administer the funds of Al-`Aqar Healthcare REIT (“Al-`Aqar” or “the Fund”). Its primary objective is to provide the unitholders with long term and stable income distributions with the potential of sustainable growth as well as to enhance the net asset value of Al-`Aqar’s units.

The Manager has been issued a Capital Markets Services License (CMSL) by the Securities Commission (SC) on 27 June 2013 as required under the new licensing regime for REIT Managers which took effect from 28 December 2012. Two of the Board members, namely Wan Azman bin Ismail and Yusaini bin Sidek as well as two of the employees, namely Shahril Zairis bin Ramli and Suhaimi bin Saad have respectively been issued with a Capital Markets Services Representatives License (CMSRL).

Al-`Aqar is externally managed by the Manager and as such, it has no employees. The Manager has appointed experienced and qualified personnel to handle its day-to-day operations. All Directors and employees of the Manager are remunerated by the Manager and not by Al-`Aqar.

The Manager is required to ensure that the business and operations of Al-`Aqar are carried and conducted in a proper, diligent and efficient manner, and in accordance with the acceptable business practices in the real estate investment trust industry in Malaysia. Subject to the provisions of the Deed, the Manager has full and complete control in managing the Fund (including all assets and liabilities of Al-`Aqar) for the benefits of the Unitholders.

The Manager’s main functions, amongst others, are as follows:

- **Investment Strategy**
Formulate and implement Al-`Aqar’s investment strategy.
- **Acquisition and Divestment**
Make recommendations and coordinate with the Trustee and implement the acquisition of new assets and divestment of Al-`Aqar’s existing investments.
- **Asset Management**
Supervise and oversee the management of Al-`Aqar’s properties including procurement of service providers to carry out specified activities, including but not limited to onsite property management, property maintenance, rent collection and arrear control. The Manager is also responsible for developing a business plan in the short, medium and long term with a view to maximising the income of Al-`Aqar.



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- **Risk Management**
Determine the level of risk tolerance and actively identify, assess and monitor the principal risks of Al-`Aqar and ensuring the implementation of appropriate systems to mitigate and manage these risks.
- **Financing**
Formulate plans for equity and debt financing for Al-`Aqar's funding requirements with the objective of optimising the capital structure and cost of capital.
- **Accounting Records**
Keep books and prepare or cause to be prepared accounts and annual reports, including annual budget for Al-`Aqar.
- **Investor Relations**
Developing and maintaining investor relations including information coordination and distribution as well as customer service to investors.
- **Compliance Management**
Supervise all regulatory filings on behalf of Al-`Aqar, and ensure that Al-`Aqar is in compliance with the applicable provisions of the Securities Commission Act, SC REIT Guidelines, Bursa Securities Listing Requirements, Trust Deed and all relevant contracts.

PRINCIPLES OF THE CORPORATE GOVERNANCE CODE

1. BOARD LEADERSHIP AND EFFECTIVENESS

1.1 Board Responsibilities

In discharging their duties and responsibilities, the Board ensures that all decisions made are in the best interests of the Fund and stakeholders. As prescribed by the MCCG 2017, the Board assumes, inter alia, the following responsibilities:

- **Reviewing and adopting a strategic plan for the Fund**
The strategic and business plan for the period 2018 – 2022 was tabled, discussed and approved by the Board at its meeting on 20 November 2017. Additionally, on an ongoing basis as need arises, the Board will assess whether strategic consideration being proposed at Board meetings during the year are in line with the objectives and broad outline of the adopted strategic plans. The Board will ensure that the strategic plan supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.
- **Overseeing the conduct and overall management of the Manager and the business of Al-`Aqar**
The Board is responsible to oversee, supervise and review the Fund's annual budget, operational and financial performance on a periodic basis against the budget. At Board meetings, all operational matters will be discussed and appropriate consultation will be sought if necessary. Where and when available, the performance of the Fund will be benchmarked and compared against the performance of its competitors.



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- **Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures**

The Board will set the risk appetite within which the Board expects the Manager to operate and ensure there in an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks. The Risk Management Report will be tabled on a periodic basis in the Board meeting to review the Fund's risks.

- **Succession planning**

The Board will deliberate on the latest plans and actions taken in respect of the succession planning to ensure that all candidates appointed to the Board and senior management positions are of sufficient calibre.

- **Effective communication with stakeholders**

The Board will ensure that there is an effective communication with stakeholders. The Manager has introduced many activities with regards to engagement and communication with investors to ensure that they are well informed about the Fund affairs and developments.

- **Reviewing the adequacy and the integrity of the management information and internal controls system of the Fund**

The Board's function as regard to fulfilling these responsibilities effectively are supported and reinforced through the various Committees established at both the Board and Manager's level. The active functioning of these Committees through their regular meetings and discussions would provide a strong check and balance and reasonable assurance on the adequacy of the Fund's internal controls.

Access to Information and Advice

Prior to each board meeting, the Board Report will be circulated to all Directors so that each Director has ample time to peruse and review it for further deliberation at the Board meeting. The Board Report includes among others, the following details:

- Minutes of meeting of all Committees of the Board
- Any matters arising from previous meetings
- Business strategies and corporate proposals
- Review of operational matters and financial report of the Group
- Progress report on risk management
- Executive Committee and Audit Committee report

The Board is fully aware of its duties and responsibilities with regards to the above and decisions and deliberation at the Board meetings are recorded and minuted by the Company Secretary. All minutes will be confirmed prior to the meetings.

Company Secretary

The Company Secretary and/or her assistants attend all Board meetings and, together with the Directors are responsible for the proper conduct of the meetings according to applicable rules and



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regulations. The Company Secretary regularly updated the Board on new regulations and directives issued by regulatory authorities.

1.2 Board Composition

Board composition influences the ability of the board to fulfil its oversight responsibilities. An effective board should include the right group of people with an appropriate mix of skills, knowledge, experience and independent elements that fit the objectives and strategic goals. The right board composition will ensure sufficient diversity and independence to avert groupthink or blind spots in the decision-making processes. It also enables the board to be better equipped to respond to challenges that may arise and deliver value.

The composition of the Board of Directors is as follows:

- a) 1 Non-Independent Non-Executive Chairman
- b) 4 Non-Independent Non-Executive Directors
- c) 3 Independent Non-Executive Directors
- d) 1 Non-Independent Executive Director

Practice 4.1 of the MCCG 2017 states that at least half of the board comprises independent directors and for Large Companies (companies on the FTSE Bursa Malaysia Top 100 Index or companies with market capitalisation of RM2 billion and above), the board comprises a majority independent directors. Although the Manager is yet to be in line with Practice 4.1, the Board believes that the interests of Unitholders would be better served by a Chairman and a team of Board members who act collectively in the best overall interests of Unitholders. As the Chairman is representing JCorp which ultimately has substantial interest in the Fund, he is well placed to act on behalf of Unitholders and in their best interests.

Practice 4.5 of the MCCG 2017 also states that for Large Companies, the board must have at least 30% women directors. Based on the current market capitalisation position, Al-'Aqar is not deemed as a Large Companies. However, the Board is moving towards to be in line with the Practice 4.5 on gender diversity whereby on 5 October 2017 Dato' Dr. Rahah Ismail was appointed as an Independent Non-Executive Director. With the appointment of Dato' Dr. Rahah Ismail, women directors composition in the Board of Al-'Aqar stands at 22%.

Directors' Training

All Directors have attended and completed the Mandatory Accreditation Programme prescribed by Bursa Securities, and the Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis. Throughout the financial year under review, the Directors attended various conferences, seminars and training programmes covering areas that included corporate governance, leadership, updates on REIT industry and global business developments.



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1.3 Remuneration

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.

2. EFFECTIVE AUDIT AND RISK MANAGEMENT

2.1 Audit Committee

An effective Audit Committee will bring transparency, focus and independent judgment needed to oversee the financial reporting process. The Audit Committee is chaired by Zainah Mustafa and comprises of 2 other members, Lukman Hj. Abu Bakar and Dr. Hafetz Ahmad. The Committee meets on a scheduled basis at least 4 times a year. The minutes of the Audit Committee meetings are tabled to the Board for noting and for action by the Board, where necessary.

Compliance with Applicable Financial Reporting Standards

In presenting the annual financial statements, annual report and quarterly announcements to Unitholders, the Board aims to present a balanced and understandable assessment of Al-Aqar's financial position, performance and prospects.

The Board has taken the necessary steps to ensure that Al-Aqar had complied with all applicable Financial Reporting Standards and relevant provision of laws and regulations in Malaysia and the respective countries in which the subsidiaries operate, consistently and that the policies are supported by reasonable and prudent judgement and estimates.

The Audit Committee assists the Board in ensuring both annual financial statements and quarterly announcements are accurate and the preparation is consistent with the accounting policies adopted by Al-Aqar.

Relationship with the External Auditors

The Board through the Audit Committee has maintained a formal procedure of carrying out an independent review of quarterly reports, annual audited financial statements, External Auditor's audit plan, report, internal control issues and procedures.

The External Auditors are invited to attend Al-Aqar's general meeting and are available to answer any questions from unitholders on the conduct of the statutory audit and the contents of the Annual Audited Financial Statements.



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2.2 Risk Management and Internal Control Framework

The Manager is led and overseen by an experienced Board of Directors with a wide and varied range of expertise. This broad spectrum of skills and experience gives added strength to the leadership, thus ensuring the Manager is under the guidance of an accountable and competent Board.

There is a clear segregation of roles and responsibilities between the Chairman and the Executive Director to ensure a balance of power and authority. This also provides a healthy professional relationship between the Board and management with clarity of roles and robust deliberation on the business activities of Al-`Aqar.

The Chairman ensures 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. The Executive Director has full executive responsibilities over the execution of the agreed business policies and directions set by the Board and of all operational decisions in managing Al-`Aqar.

3. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

3.1 Communication with Stakeholders

The Board recognises the importance of timely dissemination of information to the Unitholders and accordingly ensures that they are well informed of any major developments of Al-`Aqar. Such information is communicated through the annual report, the Trust's various disclosures and announcements to Bursa Securities, including quarterly and annual results, and the corporate website.

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.

3.2 Conduct of General Meeting

The Annual General Meeting is a vital platform for dialogue and interaction between the Board and the Unitholders.

At the Annual General Meeting, the Chairman presented the progress and performance of the business and encouraged Unitholders to participate in the question-and-answer session as well as to request unitholders' approval on new resolutions.



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DIRECTORS' RESPONSIBILITY STATEMENT ON AUDITED FINANCIAL STATEMENTS

The Board is responsible in the preparation of the Audited Financial Statements to give a true and fair view of the state of affairs, results and cash flows of the Manager and Al-`Aqar at the end of each financial year.

In preparing the financial statements, the Board will ensure that suitable accounting policies have been applied consistently, and that reasonable and prudent judgments and estimates have been made.

All applicable approved accounting standards and relevant provisions of laws and regulations have been complied with. The Board is also responsible for ensuring that proper accounting and other records are kept which disclose with reasonable accuracy, the financial position of the Manager and Al-`Aqar and to ensure that the financial statements comply with the relevant statutory requirements. The Board has the overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of Al-`Aqar to prevent and detect fraud and other irregularities.