

Corporate Governance Statement

INTRODUCTION

The Board is pleased to present the Corporate Governance (“CG”) Statement of the Manager for the financial year ended 31 December 2020. This CG Overview Statement is prepared pursuant to the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”).

The Board has been guided by the Malaysian Code on Corporate Governance 2017 (“MCCG”) in its implementation of CG practices while ensuring compliance with the Listing Requirements and the Companies Act 2016 in addition to monitoring developments in industry practice and other relevant regulations and other statutory requirements, best practices and guidelines as below:

- Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- The Guidelines for Listed Real Estate Investment Trusts; and
- Bursa Malaysia Corporate Governance Guide – 3rd Edition.

The CG Overview Statement provides a summary of the Manager’s CG practices during the financial year, with reference to the following 3 principles, intended outcomes and practices of the MCCG, having considered the company’s structure, processes, business environment and industry practices:

- Principle A: Board leadership and effectiveness;
- Principle B: Effective audit and risk management; and
- Principle C: Integrity in corporate reporting and meaningful relationship with stakeholders.

This CG Overview Statement should be read together with other statements in this Annual Report such as the Statement on Risk Management and Internal Control and the Board Audit and Risk Committee (“BARC”) Report. In its deliberation and review of the CG Overview Statement, the Board is satisfied that the practices set out in the MCCG, in all material respects, have been applied to achieve the intended outcomes for the financial year under review, unless otherwise mentioned in this CG Overview Statement.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

BOARD RESPONSIBILITIES

The Manager 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.

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.

In discharging its responsibilities to meet the Fund’s objectives and plans, the Board:

- 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.

The Board also delegated certain of its responsibilities to the following Board Committees, which operate within clearly defined Terms of Reference of respective Committees:

- Board Audit and Risk Committee;
- Board Investment Committee; and
- Nomination and Remuneration Committee.

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

BOARD RESPONSIBILITIES (CONT'D)

Chairman of the Board

The Manager is led by a Chairman, Dato' Haji 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.

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.

Separation of Duties between Chairman and CEO

The Chairman of the Board is Dato' Haji 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.

Company Secretaries

Nuraliza binti A. Rahman and Rohaya binti Jaafar are the Company Secretaries of the Manager. 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.

The roles and responsibilities of the Company Secretaries include, but are not limited to the following:

- * 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.

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 five days in advance. This enables the Board members to engage in informed discussions during the meetings. The Company Secretaries prepares the Board's and Board Committee's meeting minutes, properly recording issues deliberated, including how decisions and conclusions are arrived at.

Board Charter

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.

Code of Conduct and Ethics

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 Manager runs its business by setting the highest standards of conduct throughout the company. The Code of Conduct is reviewed periodically by the Board and revised as and when appropriate.

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

BOARD RESPONSIBILITIES (CONT'D)

Anti-Bribery & Anti-Corruption Policy and Whistle Blowing Policy

The Board also established and adopted the following policies which is available on the Fund's website at www.alaqar.com.my:

- Anti-Bribery and Anti-Corruption Policy; and
- Whistle Blowing Policy.

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.

BOARD COMPOSITION

As of 31 December 2020, the Board comprised the following:

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

The Board take cognisance of the MCGG's recommendation that at least half of the Board comprises Independent Directors. However, the Manager 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.

During the year ended 31 December 2020, the Board convened five meetings and all Directors have complied with the required minimum of 50% attendance as required by Paragraph 15.05 of the Listing Requirements. The members of the Board and their attendances at Board meetings in 2020 are set out below:

	55 th BOD 24 Feb 2020	Special BOD 8 Apr 2020	56 th BOD 28 May 2020	57 th BOD 27 Aug 2020	58 th BOD 24 Nov 2020
Dato' Haji Mohd Redza Shah bin Abdul Wahid	/	/	/	/	/
Wan Azman bin Ismail	/	/	/	/	/
Zainah binti Mustafa	/	/	/	/	/
Dr. Mohd Hafetz bin Ahmad ⁽¹⁾	/	/	/		
Dato' Sr Dr. Rahah binti Ismail ⁽²⁾	/	/	/		
Dato' Wan Kamaruzaman bin Wan Ahmad ⁽³⁾				/	/
Yusaini bin Haji Sidek ⁽⁴⁾	/	/	/	/	/
Dato' Amiruddin bin Abdul Satar ⁽⁵⁾	/	/	/		
Mohd Yusof bin Ahmad	/	/	/	/	/
Shamsul Anuar bin Abdul Majid ⁽⁶⁾				/	/

Notes:

- (1) Resigned w.e.f. 24 August 2020
 (2) Resigned w.e.f. 24 August 2020
 (3) Appointed w.e.f. 24 August 2020
 (4) Resigned w.e.f. 15 January 2021
 (5) Resigned w.e.f. 1 July 2020
 (6) Appointed w.e.f. 24 August 2020

Corporate Governance Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

BOARD COMPOSITION (CONT'D)

Directors' Training

The Board ensures that its members have access to appropriate continuing education programmes to stay updated on relevant developments, and to enhance their skills and strengthen their participation in Board deliberations. The details of Directors' participation in talks and training programmes are as follows:

Director	Date	Event/Training
Wan Azman bin Ismail	16 January 2020	Capital Market 2.0 - How Blockchain, Cryptocurrency and Fin-TECH are Disrupting and Complementing the Financial Industry
	17-18 February 2020	Private Equity & Venture Capital
	15 October 2020	Industry 4.0 and its impact to Malaysian Capital Market
Zainah binti Mustafa	22-23 July 2020	Rising Defences: Section 17A MACC ACT
	17 November 2020	Malaysia's Budget 2021 Webinar: Paving the way towards a resilient future
Dato' Wan Kamaruzaman bin Wan Ahmad	4,14,15 & 17 September 2020	Induction Programme for new director of Bursa Malaysia
	29 September 2020	Economic Outlook & Lookout : The good, the bad, the uncertain
	29 September 2020	Bursa Malaysia (1818) : An analyst perspective
	29 September 2020	Smart contracts and distributed ledger technology for Malaysia's future post trade platform
	13 October 2020	Induction Programme for new member of market participants committee
	19-21 October 2020	Mandatory Accreditation Program (MAP)
	24 November 2020	An update on COVID-19

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**BOARD COMPOSITION (CONT'D)****Directors' Training (cont'd)**

Director	Date	Event/Training
Dato' Sr Dr. Rahah binti Ismail	22-23 July 2020	Rising Defences : Section 17A MACC ACT
Dr. Mohd Hafetz bin Ahmad	22-23 July 2020	Rising Defences : Section 17A MACC ACT
Shamsul Anuar bin Abdul Majid	20-22 July 2020	Mandatory Accreditation Programme for Directors of Public Listed Companies
Mohd Yusof bin Ahmad	24 April 2020	Impact of MCO on vacant possession handover and strata management issues & NDASH: The practical solutions.
	24 April 2020	Will malls be empty in the new normal
	28 April 2020	Malaysia's Challenges and its impacts on the property industry & market
	1 May 2020	The Malaysian Property Market picked up in 2019
	4 May 2020	Focus: "Less Overhead, More Revenues"
	11 May 2020	Future of Real Estate
	18 May 2020	Prompt Response to CCC delivery process under the 'New Normal'
	6 June 2020	Insights on the tropical Malaysia house
	17 June 2020	MIT Media LAB Beyond Smart Cities: Emerging design & Technology (Module 1-6)
Yusaini bin Haji Sidek	21 February 2020	Ethics, PDPA, AMLA and Compliance Requirements
	28 February 2020	Practical Aspect of Professional Will Writing (Muslim & Non-Muslim)

Corporate Governance Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

BOARD COMPOSITION (CONT'D)

Tenure of the Independent Directors

Save for Zainah binti Mustafa, the tenure of other Independent Directors does not exceed a cumulative term limit of nine years as provided under Practice 4.2 of the MCGG.

Zainah has exceeded her tenure on the Board for a cumulative term of more than nine years since her appointment date. Pursuant to Practice 4.2 of the MCGG, 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. Zainah has decided not to seek re-election at the next AGM.

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 Zainah 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 MCGG.

Appointment of Board Members

The Nomination and Remuneration Committee (“NRC”) 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 NRC is chaired by Dato’ Haji Mohd Redza Shah bin Abdul Wahid, who is an Independent Director.

In deliberating the proposed appointment of any new Director(s) and senior Management team, the NRC is guided and takes into account the skills, knowledge and experience of the candidate as well as the structure of the Board and its Committees.

The task of identifying suitably qualified candidates for appointment of Directors of the Board is carried out by the NRC and relies on multiple channels of recommendation, including endorsement from Board members, internal promotion from Management team and major shareholders.

The Board acknowledges the recommendation of the MCGG 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.

Corporate Governance Statement

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

BOARD COMPOSITION (CONT'D)

Board Evaluation

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.

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.

The Board is also considering to enhance the evaluation by introducing and implementing a 360 degrees 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.

REMUNERATION

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.

The NRC 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 Manager and not by the Fund. The remuneration policy takes into account the demands, complexities and performance of the Manager 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.

A brief overview of the Directors' remuneration (comprising salaries, other emoluments, fees, meeting allowances and benefits-in-kind) for FY2020 is tabulated below:

Range of Remuneration (per annum)	Executive Directors	Non-Executive Directors
Up to RM100,000	-	6
RM101,000 – RM200,000	-	-
RM200,001 – RM300,000	-	-
RM300,001 – RM400,000	-	-
RM400,001 – RM500,000	-	-
RM500,001 and above	1	-

Note:

The above remuneration is to manage 2 funds i.e., Al-Aqar Healthcare REIT and Al-Salām Real Estate Investment Trust. Details of the Directors' and senior management's individual remunerations are not disclosed as the Directors and senior management are remunerated by the Manager, and not by the fund. The Manager believes that the overview presented above is sufficient for public disclosure, and that the non-disclosure of individual remunerations is essential to protect the interests of the Manager and its officers.

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PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

REMUNERATION (CONT'D)

Nomination and Remuneration Committee (NRC)

The NRC is the Board's committee that implements policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Board members and senior Management. Currently, the NRC comprises three members who are all Independent Non-Executive Directors. The Executive Director may be invited to participate in certain meetings of the NRC to provide insights, particularly on considerations relating to the performance of the Company but he will not be involved in deciding his own remuneration.

The NRC is guided by its Term of Reference which is available at the Fund's website at www.alaqar.com.my.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Risk Management and Internal Control Framework

Informed Decisions on Level of Risks and Implementation of Controls

The Board has the oversight responsibility of the adequacy and effectiveness of the Manager's system of internal controls which comprises the governance, risks and controls aspects. The Board believes that effective maintenance of the system is important to help the Fund to achieve its various objectives at many levels and having considered the risks that the Fund faces whilst balancing out the interest of its many stakeholders and protecting the assets and investments.

The Board fulfils its oversight function of risk management and internal control system via the Board Audit and Risk Committee (BARC). An approved Enterprise Risk Management ("ERM") Framework which was developed based on ISO31000:2017 is in place and provides guidance to both the Board and Management on the risk management reporting structure and governance, processes, assessment methodologies and tools. The Management of key operating companies adopt and apply the prescribed methodologies to identify, evaluate, treat, control, track and report the Strategic and Business, Financial, Compliance and Operational Risks based on the risk appetite set. In addition to the ERM Framework, the Manager has in place an approved Compliance Framework for management of Compliance Risks which are recognised as part of Operational Risks under the ERM Framework.

The Internal Audit Function which was outsourced to Crowe Governance Sdn Bhd assesses and reports the adequacy and effectiveness of the governance, risk management and internal control system whilst provide confirmation of the effectiveness of internal control and risk assessment process by the heads of departments.

An overview of the Board's responsibility and descriptions of the key components of system of internal control which include the conduct of reviews by the Internal Audit Function, risk management and compliance management is set out in the Statement on Risk Management and Internal Control on pages 90 to 93 of this Annual Report.

Effectiveness of Governance, Risk Management and Internal Control System

The Board has established an Internal Audit Function to provide assurance on the effectiveness of risk, control and governance processes. Oversight of the Internal Audit Function is delegated to the BARC to ensure that there are sufficient resources and internal audits are carried out objectively, effectively and independently.

The Internal Audit Function is outsourced to a team of competent and qualified auditors at Crowe Governance Sdn Bhd, who reports directly to the BARC. The Internal Auditors attend all meetings of the BARC. The BARC's review of the scope of work and reports by the Internal Audit Function and the detailed description of the Internal Audit Function are provided in the BARC Report on pages 86 to 89 of this Annual Report. The Internal Audit Function discharges its duties in accordance with internationally recognised framework and guidelines as described on page 93 in the Statement on Risk Management and Internal Control and page 88 in the BARC Report of this Annual Report, respectively.