

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5123
ENTITY NAME : MRCB-Quill REIT
FINANCIAL YEAR : December 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors (the "Board") of the asset managers, MRCB Quill Management Sdn Bhd ("MQM" or the "Manager") for MRCB-Quill REIT ("MQREIT") assumes the role of collective leadership whilst safeguarding the best interests of MQREIT's Unitholders ("Unitholders"). As prudent fiduciaries, the Board and the Management of MQM are committed in carrying out their duties with due diligence, utmost care and skill. The Board endeavours to observe the highest standards of corporate governance that are based on the tenets of accountability, transparency and objectivity.</p> <p>The Board undertakes the primary role of promoting MQREIT's long term business health and prosperity as a Real Estate Investment Trust ("REIT"). In realising these long term goals, the Board provides leadership in shaping the strategic direction of MQREIT. During the financial year under review, the Board has convened regular meetings to discuss on recommendations for investment strategies, business plan, annual budget, sustainable disposal and acquisitions, and financial performance. The Board also seeks to ensure that MQM exercises conscientious supervision on the service providers including the property manager, Zaharin Nexcap Property Management Sdn Bhd (collectively referred as "Property Manager") that performs the day-to-day property management functions for MQREIT's properties pursuant to the property management agreement signed for each property.</p> <p>The Chief Executive Officer ("CEO") oversees the day-to-day operations of the Manager and MQREIT within the parameters established under the delegation of authority which set authorisation limits to approve or make recommendations on significant acquisitions, investments, capital expenditure and the operating budget. The CEO reports directly to the Board, and in order to measure and monitor the performance of Management towards achieving the strategic objectives of MQREIT., the Board has established a predetermined set of Key Performance Indicators ("KPIs").</p> <p>In order to inculcate good values and ethical standards into MQREIT, the Board has established a Code of Business Ethics. The Code of Business Ethics serves as an internal frame of reference for MQM employees in the conduct of their daily activities as well as an external statement of corporate values and commitment. In ensuring that obligations towards the Unitholders are understood and met, the Board has also established agreed-upon disclosure and transparency standards.</p>

	<p>The Board bears the responsibility of promoting the long term sustainability and profitability of MQREIT by managing assets and liabilities of MQREIT and capitalising them into long-term sustainable distributions of income and competitive investment returns for Unitholders. In identifying, monitoring and managing risks, an effective risk management and internal control framework has been put in place to ensure that the interests of Unitholders remain sacrosanct at all times.</p> <p>MQM, through its Sustainability Report, has reinforced its commitment to sustainability by articulating the integration of financial and non-financial reporting elements in its activities. The Board is cognisant that the formation of a healthy corporate governance culture also hinges on the sound management of economic, environmental, social risks and opportunities. Recognising that corporate governance is organic in nature and aspirational in implementation, the Board has on its own volition produced this Corporate Governance Report for MQREIT albeit it being a non-mandatory requirement for REITs.</p> <p>The Board believes that timely and effective communication with Unitholders is critical in preserving MQREIT's longevity. To this end, Unitholders are engaged vide a plethora of fora including MQREIT's website, annual report and corporate announcements with the information content being curated in a regular, effective, and forthcoming manner.</p>	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is currently led by Tan Sri Saw Choo Boon, who is a Non-Independent, Non-Executive Chairman. Tan Sri Saw was appointed to the Board on 22nd January 2016.</p> <p>The Chairman is responsible for ensuring the smooth functioning and outworking of the Board. As outlined in the Board Charter, the responsibilities of the Chairman are inter alia as follows;</p> <ul style="list-style-type: none"> • Ensure that the Board functions effectively, cohesively and independently of Management; • Provide governance leadership in matters requiring corporate justice and integrity; • Lead the Board, including presiding over Board meetings, MQREIT Unitholders' meeting and directing Board discussions to effectively utilise the time available to address the critical issues surrounding MQREIT; • Promote constructive and respectful relationship between Board members and Management; and • Ensure that there is an effective communication between the Manager and Unitholders and other relevant stakeholders. <p>The roles and responsibilities of the Chairman are encapsulated in the Board Charter which is available on MQREIT's website, www.mrcbquillreit.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied
Explanation on application of the practice	:	<p>The positions of Chairman and Chief Executive Officer (CEO) are held by two different individuals. The office of Chairman is occupied by Tan Sri Saw Choo Boon whilst the CEO position is held by Yong Su-Lin.</p> <p>The clear demarcation of roles provides for a balance of power and allows the Board to be more effective and independent in its oversight over Management. The separation of powers prevents any single individual from wielding unfettered influence and dominating proceedings.</p> <p>The Chairman leads the Board in its collective oversight of MQM and MQREIT whilst the CEO focuses on the operational execution of the strategic directions set by the Board and day-to-day management of businesses and activities of MQM and MQREIT.</p> <p>The delineation of roles and responsibilities of the Chairman and the CEO is codified in the Board Charter, available on MQREIT's website, www.mrcbquillreit.com</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board and Board Committees are supported by competent, experienced and qualified Company Secretaries. The Company Secretaries are members of the Malaysian Institute of Chartered Secretaries & Administrators (“MAICSA”). The office of joint Company Secretaries is currently occupied by Mohamed Noor Rahim Bin Yahaya (MAICSA 0866820) and Ho Ngan Chui (MAICSA 7014785).</p> <p>As stipulated in the Board Charter, the Secretaries support the Board by acting as a corporate governance advisor. As counsels to the Board, the Secretaries become the central source of information and advice on matters relating to laws, rules, procedures, regulations and corporate governance. The joint Company Secretaries work synergistically with the Management in ensuring that necessary internal controls and procedures are in place so that regulatory compliance can be measured and monitored.</p> <p>The appointment or removal of the Company Secretaries remains to be sole prerogative of the Board. The duties and responsibilities of the Company Secretaries are codified in the Board Charter.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board believes that accurate and timely dissemination of information is vital for the Board to make informed decisions during Board deliberations and meetings.</p> <p>The Company Secretaries, together with the Chairman and the Management team ensure that notice of Board and Board Committee meetings, full agenda and supporting papers are circulated in advance so that Directors can engage in meaningful discussions during the meetings.</p> <p>In addition, MQM places heightened emphasis on monitoring changes to regulations and legislative promulgations. In instances where these salient changes have a significant impact to MQREIT and its investment operations, the Board is immediately apprised either in special conventions, Board meetings or advanced circulation of meeting materials.</p> <p>Relevant supporting Board papers include applicable regulatory materials, any significant acquisitions and disposals, and financial reports. In preparing the Board papers, Management is mindful in ensuring that they are presented in a concise and cogent manner to allow the Directors to decipher information efficiently.</p> <p>In order to ensure that the Board is well-informed of meeting proceedings, the minutes of the meetings are documented by the Company Secretaries and circulated to the Board members in a timely manner upon conclusion of the meeting. The minutes of meetings reflect key deliberations and decisions, the rationale for each decision made, as well as any significant concerns or dissenting views expressed during the meetings.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website.

The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has formalised a Board Charter that serves as the primary reference and literature that guides the governance and practices of the Board.</p> <p>The Board Charter undergoes periodic reviews and is subject to amendments which reflect the Board's present-day objectives and current corporate best practices.</p> <p>The Board Charter encompasses a wide range of stipulations for the Board members and covers, amongst others, the following:</p> <ul style="list-style-type: none"> • Board roles and responsibilities, composition requirements, and performance and independence concerns; • Matters reserved for the Board; • Roles and responsibilities of the Company Secretaries; • Confidentiality and Disclosure of Interest policies; • Investor Relations and Communication with Unitholders; and • Ethics and Conduct. <p>The Board Charter can be viewed at MQREIT's website, www.mrcbquillreit.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>Recognising that ethics is somewhat malleable, the Board has established a Code of Business Ethics which aims to engender a healthy corporate culture and drive ethical conduct within MQM. The Code of Business Ethics serves as the primary reference and guide for all Directors and employees on their daily activities and business conduct.</p> <p>MQM disseminates the Code of Business Ethics to all Directors and employees upon their appointment/employment and is part of the employee's Terms and Conditions of Service.</p> <p>In order to reinforce the essence of the Code, the Board Charter subjects all Directors to observe the highest ethical standards. This is premised on the need to maintain good business and investment practices as well as protect the reputation of MQREIT.</p> <p>In order to augment the Code of Business Ethics, every MQM employee is required to commit to the Corruption-Free Pledge by the Malaysian Anti-Corruption Commission. The pledge calls upon employees to not conduct corrupt practices such as money laundering or bribery and foster a healthy working environment that is free from the perils of corruption and abuse of power.</p> <p>The Code of Business Ethics is published on MQREIT's website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has formalised a Whistleblowing Policy that is applicable to all employees.</p> <p>The Whistleblowing Policy encourages employees to report in a bona fide manner on any known improper, fraudulent or dishonest practices. The Whistleblowing Policy provides a direct channel of escalation for the complainant with clearly designated recipients for whistleblowing reports, including the Chairman and CEO. Confidentiality is strictly preserved so that any employee can report concerns without the fear of reprisal. The investigation of the case will be carried out independently and in good faith.</p> <p>Supplementing the Whistleblowing policy is the establishment of the "Policy on Giving and Receiving Gifts". The "Policy on Giving and Receiving Gifts" prohibits all directors and employees, whether directly or indirectly, receiving or providing any gifts, kickbacks or guarantees, in any form, that may compromise their judgment and decision making. These policies complement each other and are in place to create a clean, corruption-free corporate environment which is imperative to minimise reputational and operational risks.</p> <p>Whistleblowers can report any improper conduct to the Chairman or the CEO, as appropriate, at the registered office address: Level 35, Menara NU2, No.203, Jalan Tun Sambanthan, Kuala Lumpur Sentral, Malaysia.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>At present, the Board constitutes a total of nine (9) members of which three (3) members are Independent Directors while the rest are Non-Independent Non-Executive Directors in compliance with paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p> <p>The Board acknowledges the value of having the majority Independent Directors on the Board in promoting objectivity and impartiality during Board deliberations and decision-making process. Furthermore, the impartiality of Independent Directors can provide the necessary checks and balances for the Management team.</p> <p>Moving forward, the Board will seek to promote concerted efforts to reinforce the Board with additional Independent Directors. The Board, with the assistance of the Nomination & Remuneration Committee, will continue to drive efforts to scour the talent market for qualified and experience candidates, especially in the property and fund management field.</p> <p>Currently, the Board comprises exclusively of Non-Executive Directors. Non-Executive Directors are external to the businesses and operational duties of MQM, making them inherently inclined to a paradigm that is detached from Management and the day to day running of the business. By virtue of having all Non-Executive Directors on the Board, a facilitative environment is created for policy making at the Board level.</p> <p>The clear demarcation of responsibilities between Board and Management also allows key operational and investment decisions by the Management to be probed and challenged by the Board in a rigorous manner. The Board believes that the current configuration allows for adequate checks and balances with no disruptive power plays and factionalism in the boardroom.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	MQM intends to have a higher proportion of Independent Directors in the boardroom. In making these changes, the Board will not make unwieldy changes and compromise on the business imperative. The Board is committed, in the short and medium term, to enlist more Independent Directors that have a vast range of commercial experience in various fields, including but not limited to the property industry, fund management and corporate banking domain.
Timeframe	:	Within 3 years

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Adopted
Explanation on adoption of the practice	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board alongside the Nomination & Remuneration Committee, undertake an annual review to assess the Board composition with the aim of configuring a diverse board set up that is effective and competent in discharging its duties and responsibilities.</p> <p>Appointments of Directors and Senior Management are carried out via a formal, rigorous and transparent process that is underpinned by meritocracy whilst taking into context the experience and diversity needed in pursuing MQREIT's strategic direction. The key facets of diversity considered include gender, age, cultural background and skill sets.</p> <p>Currently, the Board comprises members with a diverse and yet germane professional background that includes oil and gas, architecture, property development, former diplomat, former special officer to government, economics and finance. The age dispersion of the Board reflects an encouraging mix of experience with the range being 36 to 72 years old. In terms of cultural composition, the Board reflects the multiracial society of the community that MQREIT operates in. Overall, the diverse boardroom set up serves to enrich the Board deliberations with varying perspectives and fresh ideas whilst averting "blind spots" and "group think".</p> <p>The appointment of Senior Management is equally based on an objective set of criteria and merit, with close attention being accorded to diversity in skill sets. Currently, the Management team of MQM possess vast experience and niche skill sets in asset, finance, property lease and investment management.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board recognises the importance of gender diversity and the representation of women on the Board as a source of increased variance in perspectives and ideas for decision-making.</p> <p>Currently, there is no formalised gender policy and target in place relating to women representation on the Board or at Senior Management level. At present, the Board comprises one woman Director, namely Dato' Dr. Low Moi Ing, who is a Non-Independent Non-Executive and also a member of the Audit Committee.</p> <p>Notwithstanding the above, the Board remains cognisant of the need to "cast a wider net" in its directorship search so as to ensure that the dimension of gender is being adequately addressed.</p> <p>The key personnel of the Senior Management team of MQM are currently dominated by women (4 out of the 5 Senior Management members being women). The presence of a female CEO at MQM further serves as a testament in this regard.</p> <p>The Board capitalises on the extensive female representation at the Senior Management level by considering reports and opinions from these personnel into the deliberations and decision-making process. Furthermore, the high percentage of women at the Senior Management level translates to a strong talent pipeline for internal recruitment of future directors.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	In the long term, the Board intends to source for high calibre women candidates to achieve 30% women candidates by leveraging on third-party sources such as directors' registry and recruitment firms. In the near term, the Board will seek to formalise policy, measures and targets on gender diversity.
Timeframe	:	Others 5 years

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>At present, the primary means of appointing new Directors are through the recommendations or direct referrals from other Directors or Management.</p> <p>The Board is of the view that this represents a tried and tested method of sourcing high-calibre directors that is suitable to the nature of MQREIT's business intricacies.</p> <p>The procedures and processes of Director appointments are carried out based on a rigorous and robust process undertaken by the Nomination & Remuneration Committee. Candidates are thoroughly assessed based on core competencies and attributes such as character, competency, experience, integrity, time commitment as stated in paragraph 2.2A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	MQM intends to leverage on third-party sources such as independent recruitment firms and directors' registries in order to gain access to a wider talent pool and identify high calibre candidates who would otherwise beyond the Management's radar.	
Timeframe	:	Others	5 years

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Nomination & Remuneration Committee is chaired by Aminuddin bin Mohd Arif, an Independent Director.</p> <p>As stipulated in the Terms of Reference, the Chairman of the Nomination & Remuneration Committee should be an independent director that is appointed by the Board. The independence of the said Committee Chairman allows proceedings to be framed and mediated through an objective lens.</p> <p>The Chairman of the Nomination & Remuneration Committee also provides leadership and oversight over Directors' succession planning, election/re-election and the annual Board evaluation. The independence of the Chairman is highly significant in this context considering that the Chairman of the Nomination & Remuneration Committee leads matters relating to the evaluation and succession of the Board Chairman, CEO and CFO.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied
Explanation on application of the practice	:	<p>During the year 2017, the Board undertook a formal and objective annual evaluation by enlisting an expert service firm, namely Deloitte Enterprise Risk Services Sdn Bhd ("Deloitte"). The Board evaluation was executed independently and the performance of Board, Board Committees and individual Directors' was evaluated using a predetermined set of criteria. The Nomination & Remuneration Committee provided oversight and support for the evaluation exercise.</p> <p>The performance of the Board, Board Committees and individual Directors was considered in the context of the overall strategic plans of MQREIT, primary responsibilities and duties of the Chairman and individual Directors, skill sets, time commitment, industry knowledge and corporate governance adherence.</p> <p>Upon the conclusion of the annual Board evaluation for the year under review, the findings and recommendations surfaced were reported to the Nomination & Remuneration Committee for deliberation and consideration. Cogent action plans were identified for areas that necessitate improvement. The outcomes of the evaluation also served as the bases for recommending the election/re-election of Directors and in identifying the training needs of Directors.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board believes that remuneration plays an important part in attracting, retaining and motivating high calibre and talented Directors and Senior Management personnel. The Board is also cognisant that remuneration should also be structured in tandem with the nature and complexities of MQREIT's business. In this regard, the Board has formalised Remuneration Policy and Procedures for Directors and Senior Management. The Nomination & Remuneration Committee periodically reviews the Remuneration Policy and Procedures.</p> <p>MQM has devised the long-held, company-wide annual incentive scheme for the Management team and other employees. In order to attract the best talent and reward high achievers, the framework is anchored on four overarching performance indicators which includes;</p> <ol style="list-style-type: none"> 1. Merit increment; 2. Merit bonus; 3. Acquisition/divestment incentives; and 4. Special corporate exercise incentives. <p>As for individual Directors, remuneration is premised on individual performance as well as level of experience and responsibilities in the Board. In relation to Independent Directors, their remuneration packages are structured in a manner such that their independence and objectivity are not impaired.</p> <p>The remuneration policy stipulations outlined above are encapsulated in the Terms of Reference of the Nomination & Remuneration Committee available on MQREIT's website, www.mrcbquillreit.com</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board has combined the Nomination Committee and Remuneration Committee into one committee known as Nomination & Remuneration Committee. Currently, the said Committee comprises exclusively of Independent Directors, thus, equipping it with the requisite element of detached impartiality to carry out the entrusted functions effectively.</p> <p>The Board is of the view that since nomination and remuneration policies are often intertwined, it would be more synergistic and pragmatic to combine the two functions into a consolidated Committee. The combined Committee also prevents the unnecessary duplication of Board members, given that there are only three Independent Directors at present. Laconically put, establishing two stand-alone Board Committees for nomination and remuneration matters would be counter-productive as it would result in a "mirror board committee". Hence, the Board believes that the prevailing structure of the Nomination & Remuneration Committee is suitable and reflective of MQM's nuances.</p> <p>The Terms of Reference for the Nomination & Remuneration Committee clearly accords prominence on remuneration matters, besides its focus on nomination matters. The Chairman of the Nomination and Remuneration Committee, with the support of the Secretaries, has also ensured that remuneration matters are given adequate attention and importance in the formulation of meeting agenda and during deliberations.</p> <p>Members of the combined Committee also possess the expertise, experience and skills to oversee nomination and remuneration matters on a consolidated basis. The presence of a wholly independent Nomination and Remuneration Committee also places the said Committee in a good stead to discharge its responsibilities in an objective and impartial manner.</p> <p>The Terms of Reference for the Nomination and Remuneration Committee is made available on MQREIT's website.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied	
Explanation on application of the practice	:	The detailed disclosure of the remuneration of individual Directors, on a named basis, is provided in the Corporate Governance Overview Statement of the Annual Report.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board has decided to allow for an advocacy period prior to disclosing the remuneration details of its top five Senior Management personnel. MQM is of the view that disclosing remuneration details of its highly talented and experienced Senior Management team might lead to talent poaching, which is relatively prevalent in the industry. The Board thus views that losing key figures of the Management team to be detrimental to the business operations.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Board will also consider disclosing the remuneration of its Senior Management personnel in a detailed manner once this practice becomes the norm in the industry. In a setting where enhanced transparency is the “order of the day”, a level playing field can be created and a culture whereby executive remuneration is anchored to appropriate and defensible bases can be fostered.	
Timeframe	:	Others	5 years

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The current Chairman of the Audit Committee is Foong Soo Hah, an Independent Director.</p> <p>He was appointed as the Chairman of the Audit Committee on 16 June 2015.</p> <p>He holds a Bachelor's Degree in Mathematics from the University of Malaya and a Master's Degree in Actuarial Science from Northeastern University, United States. He has accumulated years of significant experience in the actuarial field, including in United States, and has occupied several leadership positions in insurance firms, including as a Director and CEO of British American Insurance Berhad and Great Eastern Life Assurance Berhad. Given his professional credentials, he is well-positioned to lead the Audit Committee with the requisite qualities.</p> <p>The duties and responsibilities of the Chairman of the Audit Committee are outlined in the Terms of Reference of the Audit Committee, which is available on MQREIT's website, www.mrcbquillreit.com</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	<p>In order to safeguard the independence and integrity of the audit process, the Audit Committee has observed an informal internal policy stipulation which requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a Director, including as a member of the Audit Committee.</p> <p>To date, MQM has not appointed any former key audit partners either as a Director or an employee.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	<p>As stipulated in the Terms of Reference, the Audit Committee is responsible to assess the capabilities, independence and suitability of the external auditor and make the subsequent recommendations on the appointment, audit fee and re-appointment or termination of the external auditor.</p> <p>The annual assessment of the external auditor is carried out with reference to the objectivity, expertise, resources and effectiveness of external auditor. During the financial year under review, the Audit Committee has continuously monitored and assessed the suitability, objectivity, independence and performance of the external auditor, namely Ernst & Young ("EY"). For the audit of the financial year under review, EY has also provided the Audit Committee of MQM with a written assurance to confirm that its personnel were and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>The Audit Committee has also taken into consideration the extent of non-audit services by the external auditor and undertook a review to ascertain that the provision of such services will not prejudice the independence and objectivity of the external auditor. In further imbuing the objectivity of the external auditor, the Audit Committee has conducted private sessions with the external auditor, without the presence of Management during the financial year to allow the external auditor to escalate any issues that they have identified.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee comprises five members, namely Foong Soo Hah as Chairman, Dr. Roslan Bin A. Ghaffar (Independent Director), Aminuddin Bin Mohd Arif (Independent Director), Dato' Dr Low Moi Ing (Non-Independent Non-Executive Director) and Ann Wan Tee (Non-Independent Non-Executive Director).</p> <p>All five members hail from a diverse set of academic background and corporate experience. The range of expertise and experience spans across architecture, actuarial science, finance, economics and accounting. The diverse skill sets possessed by the Audit Committee members allow matters that reside under the said Committee's purview to be tackled in a comprehensive manner.</p> <p>One of the Audit Committee members, namely Ann Wan Tee is a Chartered Accountant with 18 years of experience in amongst others, private finance initiatives, business valuations, and acquisitions. Ann Wan Tee's presence in the Audit Committee fulfils paragraph 15.09(1)(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad which calls for at least one member of the Audit Committee to be a member of a professional accountancy body.</p> <p>The Audit Committee possess the requisite financial literacy and are able to read, analyse and interpret financial statements. During the year under review, the Audit Committee members have also demonstrated vigilance and professional scepticism to challenge Management's assertions of MQREIT's financials.</p> <p>The Audit Committee Members have consistently participated in training programmes, conferences and seminars which cover, inter alia, matters of real estate, corporate governance and leadership, and risk management so as to keep themselves abreast of pertinent developments.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established an effective risk management and internal control framework to safeguard stakeholders' interests in MQREIT.</p> <p>The risk management framework is grounded on an Operation Manual that provides structural guidance in managing and assessing risks which include the acquisition of property, financial and operational reporting, continuing listing and compliance obligations. The Operation Manual is subjected to periodic reviews.</p> <p>In order to manage significant risks arising from property investment decisions, the Board has strictly required for the submission of each major investment proposal to be accompanied with detailed risk assessment, sensitivity analysis and Management's proposed risk mitigation or control strategies.</p> <p>In relation to related party transactions, internal control procedures have been put in place in accordance to Securities Commission's REIT Guidelines, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Trust Deed. A comprehensive review of all related party transactions is incorporated into MQREIT's annual internal audit plan.</p> <p>In ensuring the adequacy and effectiveness of the risk management and internal control system, the Board performs periodic reviews and closely monitors the robustness of the risk management and internal control framework. The CEO has provided assurance that the current risk management and internal control framework is operating adequately and effectively in all material aspects.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board has disclosed the features and processes of its risk management and internal control framework in the Statement on Risk Management and Internal Control. The Statement has outlined, amongst others, the varying risk management and internal control elements, conflicts of interest policy, the internal audit function and the operational risk management structure that is guided by the Operation Manual.</p> <p>The said Statement has been reviewed by the external auditor and is disclosed in MQREIT's Annual Report.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied	
Explanation on application of the practice	:	<p>The internal audit function is outsourced to a professional firm with a view of assessing the adequacy and effectiveness of internal controls and risk management processes. The outsourced internal audit service provider for the financial year under review is BDO Governance Advisory Sdn Bhd (“BDO Governance”). The internal audit function reports directly to the Audit Committee and has direct access to the Board through the Chairman of the Audit Committee.</p> <p>The Audit Committee annually reviews and approves the Annual Audit Plan for the financial year whilst ensuring that BDO Governance is accorded with appropriate standing and authority to discharge its duties effectively. The Audit Committee also regularly reviews the reports and recommendations raised by the internal auditors, with a view of ensuring that remedial actions are meted out.</p> <p>The Audit Committee has approved an appropriate internal audit fee to ensure that resources and professionalism of the function are not compromised.</p> <p>The roles and responsibilities of the Audit Committee pertaining to the oversight of internal audit function are outlined in the Terms of Reference, which is available on MQREIT’s website, www.mrcbquillreit.com</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied	
Explanation on application of the practice	:	The details of the internal audit function and processes deployed are disclosed in the Statement of Risk Management and Internal Control of the Annual Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board recognises the importance of maintaining regular, seamless, and forthcoming communication with its Unitholders. Hence, the Board seeks to ensure that Unitholders are informed, in a timely manner, on any key developments that pertain to the business operations of MQREIT.</p> <p>In fostering a closer association with its stakeholders, the Board ensures that MQREIT’s website is regularly updated to contain the archives of property descriptions, operational details, annual reports, the Board Charter, corporate announcements, and relevant news clippings.</p> <p>As the majority of MQREIT’s units are held by institutional investors, MQM has placed special emphasis on conducting regular meetings with local and foreign fund managers and investment analysts. MQM is committed to facilitate continuous information dissemination to its Unitholders and keeping retail investors updated with the latest developments in the REIT industry by organising capacity building initiatives such as seminars and roadshows.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>MQREIT has vide its Annual Report provided a fairly comprehensive overview of its financial and non-financial aspects. It is envisaged that this would go a long way in providing stakeholders with a holistic understanding of its proposition.</p> <p>It is important to note that MQREIT has transcended the regulatory expectation of a REIT by producing this Corporate Governance Report, with a view of profiling its corporate governance practices. Augmented with other aspects of non-financial information such as Corporate Governance Overview Statement and Statement of Risk Management and Internal Control, MQREIT is placing itself on a good stead to adopt a more mature form of corporate reporting.</p> <p>In the interim, the Board will allow for an advocacy period for the gradual incorporation of integrated thinking prior to considering embarking on an integrated reporting journey.</p> <p>For the financial year under review, MQREIT has successfully produced its second Sustainability Report, pursuant to the guidelines outlined in Practice Note 9 of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad. This would provide stakeholders with a tangible appreciation of the economic, environmental and social determinants that are being embedded in MQM and MQREIT's operations.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	As MQREIT grows in scale and scope, a "readiness assessment" will be conducted to assess the structural changes that would be necessitated from the proposed transition to integrated reporting. As an initial step, MQM will seek to promote integrated thinking into its activities to better streamline its connectivity of reporting from a business analysis and decision-making standpoint.
Timeframe	:	Others
		5 years

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied	
Explanation on application of the practice	:	Since 2017, MQREIT has been issuing the Notice for an Annual General Meeting ("AGM") to the unitholders 28 days prior to AGM.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board acknowledges its responsibility to effectively communicate with its Unitholders and provide meaningful responses to their questions. As a testament to this commitment, all Directors attended the previous AGM of MQREIT which was held on 11th April 2018. The Chairmen of the respective Board Committees were present to facilitate discussion and answer questions regarding matters under their purview.</p> <p>All resolutions tabled during the AGM were voted by poll as enumerated in paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Upon the conclusion of the AGM, the outcome of meeting is published through an announcement on the Exchange and minutes of the AGM are uploaded to the website in a timely manner.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate—

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Applied
Explanation on application of the practice	:	<p>Currently, MQREIT has less than 5,000 Unitholders with the majority of the units being held by local institutional investors. It can also be deduced that MQREIT does not have a large number of unitholders when compared to the market average.</p> <p>In addition, MQREIT does not have a wide unitholding spread in terms of geographical dispersion. As mentioned above, the Unitholders are primarily domestic institutional investors. Thus, the proposition to establish an infrastructure that would facilitate voting in absentia and remote shareholder participation during general meetings is not compelling and evident in the context of MQREIT.</p> <p>The Board has given utmost consideration and cognisance to the location of the AGM to ensure that the venue is easily accessible. As with the preceding years, the upcoming AGM will be nestled at Aloft Hotel, Jalan Stesen Sentral, Kuala Lumpur.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

Not Applicable.
