

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5116
COMPANY NAME : AL-`AQAR HEALTHCARE REIT
FINANCIAL YEAR : 31 DECEMBER 2023

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 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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The REIT is led by an experienced and dynamic Board, which is ultimately responsible for establishing all strategies and policies relating to the running of Al-`Aqar Healthcare REIT (Al-`Aqar). With its balanced Board composition comprising experienced and effective Independent Non-Executive Directors, the Board plays a pivotal role in the stewardship of the Group and ultimately enhancing shareholders' value.</p> <p>In governing Al-`Aqar, the Board delegates and confers some of its authority and discretion to the CEO and Board Committees. The Board Committees comprise the Board Audit and Risk Committee (BARC), Board Nomination and Remuneration Committee (BNRC), Board Investment Committee (BIC) and Board Sustainability Committee (BSC). Through its Committees, the Board provides effective oversight of the Management's performance, risk assessment and controls over business operations, and compliance with regulatory requirements. The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.</p> <p>In addition, the Board is also responsible for formulating and reviewing the Group's strategic plans and key policies and charting the course of the Group's business operations.</p> <p>The Board has a dedicated strategic planning session, whereby the Management presents to the Board its business targets and plans for the following year as well as holding a mid-year review session to revisit to assess the effectiveness of its strategies and performance.</p> <p>The Board, in its mid-year review session, also considered the progress of the FY2023-2027 Plan, and deliberated on the focus areas for FY2024 as well as the required catch-up strategy from the Management.</p> <p>The principal responsibilities of the Board include the following:</p> <ul style="list-style-type: none"> to review and adopt strategic plans which include strategies on economic, environmental and social considerations underpinning the sustainability of the business; to oversee the conduct of the businesses and evaluate whether or |

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| | <p>not the businesses are being properly managed;</p> <ul style="list-style-type: none"> • to identify principal business risks faced by the Al-`Aqar and ensure the implementation of appropriate systems to manage these risks; • to consider and implement succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing members of the Board and Senior Management; • to develop and implement an investor relations programme or shareholder communications policy for Al-`Aqar; • to review the adequacy and the integrity of the Group's internal control systems and management information systems, including systems compliance with applicable laws, regulations, rules, directives and guidelines • to promote good corporate governance culture together with Senior Management within Al-`Aqar to reinforce ethical, prudent and professional behaviours; • to review, challenge and decide on Management's critical proposals for Al-`Aqar, and oversee their implementation by Management; • to promote a culture of integrity and ethical business which includes conscious efforts to manage bribery and corruption risks; • to ensure the Group's vision and long-term business strategy include considerations of ethical business practices; • to determine the Group's stance on anti-bribery; • to ensure the establishment of an internal control system, including Framework, which provides reasonable assurance that the Group's bribery risks are managed; • to review the Whistleblowing Policy periodically and at least once in three (3) years; and • To ensure that all its directors understand financial statements and form a view of the information presented. <p>The roles and responsibilities of the Board and individual Directors are clearly defined in the Company's Board Charter, which is published on Al-`Aqar's website at www.alaqar.com.my/corporate-governance/.</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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Company 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, encourages active participation and allows dissenting views to be freely expressed. Additionally, he ensures that all decisions are taken on a sound and well-informed basis, including ensuring that all strategic and critical issues are considered by the Board.</p> <p>The Chairman was also present at the Annual General Meeting of the Fund and acts as the spokesperson for the Board to provide effective communication with stakeholders. The Chairman also manages 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 participation in relevant seminars and training on the subject.</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 | : | |
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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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Chairman of the Board is Dato' Haji Mohd Redza Shah bin Abdul Wahid, an Independent Non-Executive Director whilst the Chief Executive Officer (CEO) is YM Raja Nazirin Shah bin Raja Mohamad.</p> <p>The roles of the Chairman and the CEO are separate and clearly defined to foster separation of responsibilities as the 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. The CEO spearheads the business and day-to-day management of the Group and implements the strategies directed by the Board.</p> |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
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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 Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee

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| <i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i> | | |
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Chairman of the Board is not a member of the BARC and BNRC. The Chairman had also not participated in or been invited to the BARC and BNRC meetings.</p> <p>The current composition of the BARC and BNRC is as follows:-</p> <p><u>BARC</u></p> <ol style="list-style-type: none"> 1. Abdullah bin Abu Samah – Chairman 2. Dato' Wan Kamaruzaman bin Wan Ahmad – Member (<i>until 4 July 2023</i>) 3. Datuk Sr. Akmal bin Ahmad – Member 4. Lailatul Azma binti Abdullah – Member (<i>effective 5 July 2023</i>) <p><u>BNRC</u></p> <ol style="list-style-type: none"> 1. Datuk Hashim bin Wahir – Chairman 2. Dato' Wan Kamaruzaman bin Wan Ahmad – Member (<i>until 4 July 2023</i>) 3. Abdullah bin Abu Samah – Member 4. Shamsul Anuar bin Abdul Majid – Member (<i>effective 5 July 2023</i>) |
| 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 | : | |
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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

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 the adoption of corporate governance best practices.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>Nuraliza binti Abd Rahman and Rohaya binti Jaafar are the Company Secretaries of the Company. 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.</p> <p>The roles and responsibilities of the Company Secretaries include, but are not limited to the following:-</p> <ul style="list-style-type: none"> ▪ 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. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
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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 1.6

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | The Company Secretaries ensure proper and timely dissemination of information to the Board and Board Committee members. Before the Board meeting, the Board members receive all the necessary materials related to the meeting's agenda, at least 5 business days in advance. This enables the Board members to engage in informed discussions during the meetings. The Company Secretaries prepare the Board/ Board Committee meeting minutes, properly recording issues deliberated, including how decisions and conclusions are arrived at. |
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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.

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| Application | : | Applied |
| Explanation on application of the practice | : | 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 the 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 requirements, and the Company's policy that affects the Board Charter. |
| 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 | : | |
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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.

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| Application | : | Applied |
| Explanation on application of the practice | : | In promoting 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 Company runs its business by setting the highest standards of conduct throughout the Company. |
| 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 | : | |
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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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has established and adopted the following policies which are available on the Fund's website at www.alaqar.com.my:</p> <ul style="list-style-type: none"> ▪ Anti-Bribery and Anti-Corruption Policy; and ▪ Whistle Blowing Policy <p>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 business conduct. The policies are reviewed periodically by the Board and revised as and when appropriate.</p> <p>The REIT Manager has dedicated a specific email address at integrity@drmsb.com.my for any report relating to integrity.</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> | | |
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Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.1

The board together with management takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets.

The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action, and risk management.

Strategic management of material sustainability matters should be driven by senior management.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board of Directors has set up the Board Sustainability Committee (BSC) in 2023 to enable greater focus and in-depth discussions at the highest level on material sustainability and climate-related matters. The setting up of the BSC will ensure that sustainability elements are embedded within the REIT's core functions and coherence in making sustainability a key consideration in setting the REIT's strategic direction and making business decisions.</p> <p>As such the key role of the BSC is to assist the Board in providing oversight of material Environmental, Social and Governance ("ESG") matters across the Group's business strategies, operations and decision-making process.</p> <p>The BSC is led by Lailatul Azma binti Abdullah, an Independent Non-Executive Director. She has completed the completed the Mandatory Accreditation Programme Part II: Leading for Impact (LIP), which is a requirement for all listed entities' directors. Other members of the BSC are Datuk Hashim bin Wahir (Independent Non-Executive Director) and Ng Yan Chuan (Non-Independent Non-Executive Director). Both Directors have wide experience in sustainability management in the commercial real estate sector.</p> <p>The BSC is supported by the senior management team which forms the Sustainability Management Committee (SMC). The primary task of the SMC is to drive the REIT's sustainability and climate-related agenda in all its business operations via all the ESG initiatives and risks are discussed at the BSC level. The Committee is chaired by the CEO and consist of the management team and relevant parties such as Property Managers. This collaborative approach will ensure consistency in practices, drive innovation and increase success on the sustainability front.</p> |
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Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.2

The board ensures that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Fund's sustainability strategies, priorities, and targets, taking into consideration the ESG risk and opportunities are presented to the Board Sustainability Committee (BSC) and tabled to the Board for final approval. These strategies and targets are also reflected and incorporated in the Strategic Planning of the company.</p> <p>Progress, issues, and target achievement are reported every quarter at the BSC meetings and summarised for the Board's notation</p> <p>The Sustainability Statement is made available to the external stakeholders on the website and Annual Report.</p> |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
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Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.3

The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

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| Application | : | Applied | |
| Explanation on application of the practice | : | Sustainability risks and opportunities are discussed at the Board Sustainability Committee and the Board Audit & Risk Committee holistically. The inter-connection with these two board committees is created well in reviewing, monitoring, and assessing the control effectiveness of the key risks involving environmental risks and governance risks, especially in combatting, fraud and corruption. | |
| Explanation for departure | : | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | | |
| Measure | : | | |
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Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.4

Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.

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| Application | : | Applied |
| Explanation of application of the practice | : | <p>The material sustainability issues are discussed at the management level through the Sustainability Management Committee. The outcome of the meetings and the status of ongoing ESG initiatives, challenges, risks, and opportunities are escalated to the Board Sustainability Committee and the Board.</p> <p>The performance evaluation of the Board and the senior management also measures their achievement in fulfilling ESG targets.</p> |
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Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.5- Step Up

The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

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| <i>Note: The explanation on adoption of this practice should include a brief description of the responsibilities of the designated person and actions or measures undertaken pursuant to the role in the financial year.</i> | |
| Application | : Not Applied |
| Explanation on adoption of the practice | : <p>The Compliance and Risk Management (CRM) Department acts as a single focal point to coordinate information and monitor targets and progress. CRM reports to the Enterprise Risk Management Committee (ERMC) and Sustainability Management Committee (SMC) which ensures that initiatives are implemented and ESG risks are managed effectively.</p> <p>The SMC is also responsible in assuring all data collected with respect to ensuring compliance to Bursa requirement is correct.</p> <p>ESG Framework, policies are formulated and synchronised at the Real Estate & Infrastructure Division (REID) level and cascaded down its investee companies. For this purpose, the REID has appointed a consultant to ensure the alignment of strategies and initiatives at the level of investee companies.</p> |

Intended Outcome

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

Practice 5.1

The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The number and composition of Board membership are reviewed appropriately to the prevailing size, nature, and complexity of the Group's business operations to ensure the relevance and effectiveness of the Board in accordance with Principle A of the MCCG where the Board should have transparent policies and procedures that will assist in the selection of the Board members.</p> <p>The current policy states that each Director is appointed under a two-year tenure.</p> |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
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Intended Outcome

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

Practice 5.2

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

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>As of 31 December 2023, the Board consists of 9 Directors.</p> <ul style="list-style-type: none"> • 1 Independent Non-Executive Chairman • 4 Independent Non-Executive Directors • 4 Non-Independent Non-Executive Directors <p>Hence, more than half of the board comprises independent directors (5/9)</p> |
| Explanation for departure | : | |
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| Measure | : | |
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Intended Outcome

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

Practice 5.3

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | None of the independent directors have exceeded a cumulative term limit of nine years. |
| Explanation for departure | : | |
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Intended Outcome

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

Practice 5.4 - Step Up

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

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| <i>Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.</i> | | | | |
| Application | : | Applied. | | |
| Explanation on adoption of the practice | : | The policy on the limit of tenure of independent directors of nine years is contained in the Board Charter as approved and adopted by the Company. | | |
| Explanation for departure | : | | | |
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Intended Outcome

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

Practice 5.5

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.

Directors appointed should be able to devote the required time to serve the board effectively. The board should consider the existing board positions held by a director, including on boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the company should be avoided.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The BNRC 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 BNRC is chaired by Datuk Hashim bin Wahir, who is an Independent Non-Executive Director. The other members of the BNRC are Abdullah bin Abu Samah, Independent Non-Executive Director, and Shamsul Anuar bin Abdul Majid, non-independent non-executive Director.</p> <p>In deliberating the proposed appointment of any new Director(s) and senior Management team, the BNRC is guided and takes into account the skills, qualifications, knowledge and experience of the candidate as well as the structure of the Board and its Committees.</p> <p>The task of identifying suitably qualified candidates for appointment of Directors of the Board is carried out by the BNRC and relies on multiple channels of recommendation, including an endorsement from Board members, internal promotion from Management team and major shareholders.</p> |
| Explanation for departure | : | |
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| <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 5.6

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.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>In scouting for suitably qualified director for the Company, high regard and emphasis are placed on the ability of the candidate, who shall have the relevant skills and knowledge pertaining to the industry.</p> <p>The Company has in place a formal and transparent procedure for the recruitment and appointment (including re-election/reappointment) of Directors. Profiles of potential Directors are also obtained from external sources.</p> <p>All nominees to the Board are first considered and evaluated by the BNRC, taking into account the mix of skills, competencies, experience, diversity in terms of age, gender, cultural background, experience, leadership, ability to exercise sound judgement and other qualities required. The BNRC will then recommend their findings for consideration and approval by the Board.</p> <p>A proposed Director also must satisfy the test of independence of an independent director as defined under Paragraph 1.01 and Practice Note 13 of the MMLR and must have the ability to act in the best interests of the Group, taking into account the candidate's character, integrity and professionalism.</p> <p>The BNRC evaluates the nominees' ability to discharge their duties and responsibilities and will conduct a formal engagement with the nominees before recommending their appointment as Directors to the Board for approval.</p> |
| Explanation for departure | : | |
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Intended Outcome

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

Practice 5.7

The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole. The board should also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

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|--|---|--|
| Application | : | Applied. |
| Explanation on application of the practice | : | <p>The board continually ensures that it maintains a high level of disclosure and communication with its shareholders and stakeholders through various practicable and legitimate channels. The company is duty-bound to keep the shareholders and investors informed of any major developments and changes affecting it.</p> <p>Given the influence wielded by large institutional and also minority shareholders, building positive relationships can lay the groundwork for future resolution of challenges or conflicts. The board always ensures frequent engagements, especially between the management and the institutional shareholders to potentially build relationships that are less adversarial than many existing board-investor relationships and may facilitate future communications.</p> <p>Most of the clarification on the appointment and re-appointment of a director is done at the BNRC whereby details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgment to bear on issues before the board and to act in the best interests of the company as a whole are laid down.</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 5.8

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

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | The Chairman of the BNRC is Datuk Hashim bin Wahir, who is an Independent Non-Executive Director. |
| 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 5.9

The board comprises at least 30% women directors.

| Application | : | Departure | | | | | | | | | | | |
|--|--------|--|--|--------|--|------|--------|-----------------|---|---|--------------|----|----|
| Explanation on application of the practice | : | <p>As of 31 December 2023, the percentage of women Directors of the total Board of the REIT Manager, is as follows:</p> <table border="1"> <tr> <th rowspan="2"></th><th colspan="2">Gender</th></tr> <tr> <th>Male</th><th>Female</th></tr> <tr> <td>No of Directors</td><td>8</td><td>1</td></tr> <tr> <td>Percentage %</td><td>89</td><td>11</td></tr> </table> | | Gender | | Male | Female | No of Directors | 8 | 1 | Percentage % | 89 | 11 |
| | Gender | | | | | | | | | | | | |
| | Male | Female | | | | | | | | | | | |
| No of Directors | 8 | 1 | | | | | | | | | | | |
| Percentage % | 89 | 11 | | | | | | | | | | | |
| Explanation for departure | : | <p>The Board is continuously scouting for women directors, taking into account diverse perspectives and insights based on the candidate's integrity, independence, diversity in terms of age, gender, cultural background and experience, leadership, and ability to exercise sound judgement.</p> <p>In 2023, the REIT Manager shortlisted 3 female candidates to be assessed against the Fit and Proper criteria before being considered for Directorship. Sources used by the Board in identifying the right candidates include using the services of talent scout/ recruiter, other than looking at the JCorp Group talent pool. The board targets 30% female participation in the Board, latest by 2027.</p> <p>The Board has complied with the Bursa Malaysia's requirement to have at least one woman director in 2023.</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

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

Practice 5.10

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 | : | Applied |
| Explanation on application of the practice | : | <p>The Board acknowledges the recommendation of the Code pertaining to the establishment of a boardroom gender diversity policy.</p> <p>The REIT Manager's policy on gender diversity is disclosed in the Corporate Governance Overview Statement section of the Annual Report.</p> <p>The Board will continuously scout to appoint or train more women candidates to fulfill the position and expects full compliance with the practices by 2027 in accordance with the Company's strategic plan.</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 6.1

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.

| | | |
|--|---|---|
| <i>Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.</i> | | |
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The BNRC 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.</p> <p>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 BNRC. The summary of the evaluation is shared with the Board thereafter. The results of the evaluation and recommendations of the BNRC 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.</p> <p>The Board also supported the move to enhance the evaluation by introducing and implementing a 360-degree evaluation involving the Board, the management, and the Chairman in totality in which the proposal was deliberated by the BNRC and recommended to the Board for approval.</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 7.1

The board has remuneration 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 remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors, and senior management. 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 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.</p> <p>The BNRC reviews and recommends to the Board the framework of remuneration policy and package for the Directors and the senior Management personnel which will be reviewed every three years. It should be noted that such remuneration is paid by the Company and not by the Fund. The remuneration policy takes into account the demands, complexities and performance of the Company as well as skills-set and relevant experiences required.</p> <p>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.</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 7.2

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 deal with its authority and duties and these Terms are disclosed on the company's website.

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has set up the BNRC which is chaired by the Independent Non-Executive Directors. The primary responsibility of the BNRC is to assist the Board with the following functions:</p> <ul style="list-style-type: none"> ▪ To review and consider the remuneration of the Chief Executive Officer is in accordance with the skill, experience and expertise he possesses and make a recommendation to the Board on the remuneration packages. ▪ To conduct a continued assessment of the Chief Executive Officer to ensure that remuneration is directly related to corporate and individual performance. ▪ To review the Directors' fees. ▪ To establish the remuneration policy and procedures for Directors and senior management for recommendation to the Board. |
| 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 assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 8.1

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 | : | Not Applied |
| Explanation on application of the practice | : | <p>The current disclosure is not on a named basis but based on the designation of the Directors.</p> <p>The Board ensures that the remuneration policy considers the demands, complexities and performance of the Company 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.</p> <p>The directors' remuneration is paid by the REIT Manager and not by the listed funds. The appointment and reappointment of a director of the Company are not subject to the approval by the unitholders of the listed funds. However, being the manager of the listed funds, the Company is governed under the Securities Commission's rules, guidelines and licensing requirements where the appointment of a director is subject to the SC's approval. All the required details of a person to be appointed as a director of the Company will be submitted to the SC for scrutinization and approval.</p> <p>As such, disclosure of the above Practice is not made in this 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

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 8.2

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 | : | Not applied |
| Explanation on application of the practice | : | <p>Disclosure of one (1) senior management's remuneration component including salary, bonus, benefits-in-kind and other emoluments are not disclosed.</p> <p>The remuneration of the senior management is borne by the REIT Manager, which is a private company. As such, disclosure of the above Practice is not made in this 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

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 8.3 - Step Up

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

| | | | |
|---|---|--|--|
| Application | : | Not Applied | |
| Explanation on adoption of the practice | : | | |
| Explanation for departure | : | Not adopted as explained under Practice 8.2 above. | |
| | | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | | |
| Measure | : | | |
| Timeframe | : | | |

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

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 9.1

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The BARC comprises of two Independent Non-Executive Directors and one non-independent non- executive Director.</p> <p>The Chairman of the BARC is Abdullah bin Abu Samah. He is an Independent Non-Executive Director and is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.</p> <p>He is not the Chairman of the Board.</p> <p>The BARC is guided by its Terms of Reference ("TOR"), which set out the composition, quorum, and frequency of meeting as well as the specific functions and authority. The TOR is available on the 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

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 9.2

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 | : | None of the Board Audit and Risk Committee (BARC) members were former key audit partners of any external audit firms for the past three years. The BARC has a policy that requires a former partner of the external audit firm of the listed company to observe a cooling-off period of at least three years before being appointed as a member. | |
| 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 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 9.3

The Audit Committee has policies and procedures to assess the suitability, objectivity, and independence of the external auditor to safeguard the quality and reliability of audited financial statements.

| | | |
|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board Audit and Risk Committee (BARC) annually assessed the independence and objectivity of the external auditors during the year and before any appointment of the external auditors. The method involved a recommendation process from Johor Corporation, the ultimate holding company of the REIT Manager. The evaluation process involving the track record and prior performance of the external auditor's centres around the areas below:</p> <ul style="list-style-type: none"> ▪ The competency, audit quality, and resource capacity of the external auditor in relation to the audit; ▪ Quality of the audit process, scope and planning ▪ Effectiveness of the audit communications ▪ Auditors' independence and objectivity ▪ the nature and extent of the non-audit services rendered and appropriateness of the level of fees; ▪ written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. <p>The results of these assessments formed the basis of the BARC's appointment of External Auditors. The assessment takes into account the feedback from the Head of Finance of the Manager, focusing on a range of factors that are considered relevant to audit quality.</p> <p>The BARC was satisfied with the independence of the present external auditor Ernst and Young ("EY") based on the quality of audit, performance, competency, and sufficiency of the resources that EY provided to the Fund.</p> <p>The BARC has recommended EY's remuneration for the financial year 2023 and it was approved by the Board.</p> |
| Explanation for departure | : | |
| | | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |

| | | | |
|------------------|---|--|--|
| 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 9.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

| Application | Not Applied |
|--|---|
| Explanation on adoption of the practice | <p>The BARC members comprise of two Independent Non-Executive Directors and one Non-Independent Non-Executive Director.</p> <p>The composition of the BARC is as follows:</p> <ol style="list-style-type: none"> 1. Abdullah bin Abu Samah - Chairman, Independent Non-Executive Director 2. Dato' Wan Kamaruzzaman bin Wan Ahmad – Member, Independent Non-Executive Director (<i>until 4 July 2023</i>) 3. Datuk Sr. Akmal bin Ahmad, Non-Independent Non-Executive Director 4. Lailatul Azma binti Abdullah – Member, Independent Non-Executive Director (<i>appointed on 5 July 2023</i>) |

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 9.5

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>Abdullah bin Abu Samah, the chairman of the BARC is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.</p> <p>Abdullah served as a Partner in the Audit Division of KPMG from 1997 until his retirement in 2020. He has over 32 years of experience servicing clients from various industries and large multinational companies. This includes companies in oil and gas, banking and finance, construction and property development, hotel and hospitality, palm oil plantation, manufacturing, and trading sectors.</p> <p>In addition to external audit, Abdullah has significant experience in reviews of prospective financial information for purposes of initial public offerings, rights issues, and bond issues.</p> <p>The Board reviews the terms of office of the BARC members and assesses the performance of the BARC and its members through an annual Board Committee effectiveness evaluation.</p> <p>The Board is satisfied that the BARC has demonstrated an appropriate level of vigilance and diligence towards, among others, the detection of any financial anomalies or irregularities in the financial statement.</p> <p>The Board was also satisfied with the composition, performance, and effectiveness of the BARC throughout the year. The full details of the BARC activities in 2023 are elaborated in the Annual Report under the section Board Audit and Risk Committee 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 10.1

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

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board affirms its overall responsibility for establishing the Group's system of internal controls and risk management framework as well as reviewing its adequacy, integrity, and effectiveness. The Board has put in place a sound governance structure, risk management framework, and internal control system to ensure effective oversight of the principal risks and controls.</p> <p>To further strengthen the risk management and compliance functions of the Group, the Compliance and Risk Management Department act as the centralised risk management function, to provide a holistic and enterprise-wide view of the risk and compliance for the REIT Manager and the Fund.</p> <p>The Group has consistently reviewed and upgraded its Enterprise-Wide Risk Management (ERM) framework for managing risks associated with its business and operations. The ERM Committee which convenes quarterly supports the BARC and the Board by setting and overseeing the Risk Management Framework and regularly assessing such Risk Management Framework to ascertain its adequacy and effectiveness.</p> <p>The Statement on Risk Management and Internal Controls (SORMIC) which provides an overview of the state of internal controls within the Company is set out in the Annual Report 2023.</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 10.2

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 established and organisation structure with clearly defined lines of accountability and responsibility to support the ideal control environment.</p> <p>The ERM Committee reviews and recommends to the BARC on any changes in the policy, framework, standards and procedures, and their implementation where applicable for BARC's deliberation.</p> <p>The BARC reviews the adequacy and effectiveness of the risk management framework and makes recommendations, if any. Any issues raised and actions taken by Management to address these issues were deliberated in the BARC meetings and the minutes of the meetings were then presented to the Board.</p> <p>The BARC also evaluates the effectiveness of ERM Committee and the process of assessing and managing the Group's Principal risks. The ERM Committee also reviews and evaluates the risk identification (on quarterly basis/ or when necessary), risk exposures and management of the mitigation plans of the risks identified.</p> <p>The Board has disclosed the key features of its risk appetite, risk management and internal control system as well as its adequacy and effectiveness in the Statement of Risk Management and Internal Control as well as the section on "Risk Management" of the Management Discussion and Analysis of the Annual Report 2023.</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 10.3 - 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 | : | Applied |
| Explanation on adoption of the practice | : | <p>The Board carried out its responsibility of risk oversight via the BARC, which consists of 2 Independent Directors and 1 Non-Independent Non-Executive Director.</p> <p>The BARC is supported by the ERM Committee which sits every quarterly.</p> <p>The primary purposes of the ERM Committee are:</p> <ul style="list-style-type: none"> (a) To assist BARC in fulfilling its oversight responsibilities with respect to the Manager's/ Fund's ERM Policy & Framework and its processes, including risk assessment on key strategic, financial, operational, and compliance risks. (b) To identify potential events that may affect the REIT adversely, and systematically manage risk within its risk appetite, to provide reasonable assurance regarding the achievement of objectives. <p>ERM Committee consists of the head of departments of the REIT Manager and is led by the CEO. They are collectively responsible and accountable for ERM Committee's actions and decisions. The responsibilities of the ERM Committee are as follows: -</p> <ul style="list-style-type: none"> ▪ To coordinate the development of risk management policies and procedures and the initiatives to ensure an effective ERM framework is in place; ▪ To review and deliberate risk reports and, where applicable, recommend mitigation strategies for implementation; ▪ To provide regular updates on respective mitigation measures and action plans relating to the respective residual risk profile and ERM initiatives; ▪ To monitor, develop, review, assess, and recommend to BARC the risk management strategies, policies, and risk tolerance limits. |

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 11.1

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 Manager has entered into an outsourcing arrangement with PKF Risk Management Sdn Bhd (PKF) to carry out its internal audit function.</p> <p>The appointed internal auditor independently and objectively reviews the effectiveness of the internal control structures over the Group activities focusing on high-risk areas as determined using a risk-based approach. All high-risk activities in each auditable area are audited annually following the BARC-approved Internal Audit Plan.</p> <p>PKF also serves as an important source of reasonable assurance and advice for the BARC concerning areas of weaknesses or deficiencies in internal control processes to facilitate appropriate remedial improvements by the Management. PKF also carries out investigative audits where required.</p> <p>PKF reports directly to the BARC, and is independent of the business activities or operations of the Group.</p> <p>PKF's authority, scope, and responsibilities are governed by its Audit Charter which is approved by the BARC and aligned with the International Professional Practice Framework on Internal Auditing issued by the Institute of Internal Auditors.</p> <p>The audit reports which provide the findings and results of the audit conducted are discussed with the Management and presented to the BARC for review and deliberation. Key control issues, significant risks, and recommendations are highlighted, along with Management's responses and action plans for improvement and/or rectification, where applicable.</p> <p>This enables the BARC to execute its oversight function by reviewing and deliberating on the audit issues, audit recommendations as well as Management's responses to these recommendations. Where appropriate and applicable, the BARC directed the Management to take cognizance of the issues raised and established necessary steps to strengthen the system of internal control based on PKF's recommendations.</p> <p>To ensure effective management and independence of BARC, the BARC is empowered by its TOR to:</p> <p>(a) Convene meetings with the Internal Auditor without the attendance of any executive, whenever deemed necessary.</p> |

| | | |
|--|---|--|
| | (b) Approve, then inform the Board of the appointment of the Internal Auditor; and (c) Review and assess the performance of the Internal Auditor. The BARC is satisfied that the PKF has been effective and able to discharge its duties and responsibilities as per the approved 2023 Audit Plan | |
| 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 11.2

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 | : | <p>The internal audit function is outsourced to an independent professional consulting firm, Messrs. PKF Risk Management Sdn Bhd. The team from PKF is led by Dr. Wong Ka Fee, the Director of Risk and Governance Advisory. He possesses a doctoral degree in Behavioural Finance and a Master of Science in Management Consultancy. Dr. Wong Ka Fee has over 15 years of experience in a wide range of governance advisory, risk, and internal audit work.</p> <p>The internal audit team at PKF consists of 10 permanent internal audit personnel staffs who are qualified in the areas of internal audit and assurance. All the internal PKF audit personnel involved are free from any relationships or conflicts of interest, which could impair their objectivity and independence.</p> <p>Employees in PKF are also required to complete the Independence Declaration Form on an annual basis. In addition, all the internal audit personnel involved are required to acknowledge the Employee Professional Conduct and Ethics Declaration on an assignment basis and also guided by the International Professional Practices Framework issued by The Institute of Internal Auditors Malaysia in carrying out the internal audit function.</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 | : | |

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

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 12.1

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 transparency and accountability to the stakeholders of Al-`Aqar. The Board believes that regular engagements will enhance stakeholders' understanding and appreciation of Al-`Aqar's business strategies, financial performance, current initiatives and prospects of the business.</p> <p>The company is unwavering in its commitment to share pertinent corporate information with Al-`Aqar's unitholders and the investing community. To achieve this, Al-`Aqar diligently maintains an informative corporate website at www.alaqar.com.my. This website serves as a hub for both current and historical data, enriching investor relations practices.</p> <p>Within the Investor Relations section of the website, stakeholders can access a wealth of information, ranging from financial details and announcements released to Bursa Securities to materials from general meetings, circulars, and distribution information. Additionally, the website offers insights into corporate governance, encompassing the Board Charter, Terms of Reference, Whistleblowing Policy, and Anti-Bribery & Corruption Policy.</p> <p>As an integral component of Al-`Aqar's proactive investor relations initiative, meaningful discussions and dialogues transpire with fund managers, financial analysts, unitholders, and the media. These engagements aim to effectively convey information about Al-`Aqar's performance, corporate strategy, and other factors influencing unitholders' interests. The outcomes of these interactions are tracked and disseminated to stakeholders as deemed appropriate.</p> <p>The Company communicates information on Al-`Aqar to Unitholders and the investing community through announcements that are released to Bursa Securities via Bursa LINK. Such announcements include the quarterly results, material transactions and other developments relating to Al-`Aqar requiring</p> |

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| | <p>disclosure under the Listing Requirements. Communication channels with Unitholders are also made accessible via:</p> <ul style="list-style-type: none"> • Press and analysts' briefings; • One-on-one/group meetings, conference calls; • Quarterly reports and annual reports; • Press releases on major developments of Al-`Aqar; • Notices of, and explanatory notes for AGMs; and • Al-`Aqar's website at www.alaqar.com.my <p>The Company has in place the Investor Relations team to facilitate effective communication with unitholders, analysts, fund managers and media. The email address, name and contact number of the Company's designated person also available in Al-`Aqar's website to enable the public to forward queries relating to Al-`Aqar to the Company.</p> | |
| Explanation for departure | : | |
| | | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| 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 12.2

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

| | | | |
|---|---|--|--|
| Application | : | Not Applied | |
| Explanation on application of the practice | : | | |
| Explanation for departure | : | Al-`Aqar’s Annual Report 2023 provides a comprehensive overview of the Fund’s performance through the following sections: Management Discussion and Analysis, Corporate Governance Overview Statement, Statement on Risk Management and Internal Control and Financial Statements. The Board strives to disclose all matters in an open and transparent manner such that Stakeholders can make informed decisions. | |
| | | | |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. | | | |
| 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 13.1

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

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|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Annual General Meeting is a vital platform for dialogue and interaction for effective communication and proactive engagement between the Board and unitholders of Al-`Aqar. For this reason, the Notice of 11th AGM together with related circular/statement to unitholder are issued at least 28 days prior to the scheduled date of the AGM to all unitholders.</p> <p>The Company has circulated the Notice of AGM setting out the businesses to be transacted at the AGM with explanatory notes for each proposed resolution to enable unitholders to make informed decisions while exercising their voting rights.</p> <p>The Notice of 11th AGM was also advertised in the local daily newspapers (English and Bahasa Melayu) and announced to Bursa Securities via Bursa LINK. An Administrative Guide, which furnished useful information regarding the conduct of the AGM, together with the explanatory guide to the use of the electronic polling process were given to the unitholders in advance.</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 13.2

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

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|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>Directors of the Company were present at the 11th AGM held on 18 April 2023 whilst during the EGM held on 25 August 2023, all except one director were present to engage with Unitholders. The Chair of the Audit, Nominating, Risk Management and other committees were present to respond to any queries and clarifications addressed to them, if any. Besides, the Trustee, the Management Team, external auditors and the advisers were in attendance to assist if any questions or concerns raised by unitholders.</p> <p>The Chairman of the 11th AGM and the EGM also extended an invitation to Unitholders, encouraging them to the resolutions presented, prior to initiating the voting phase. Following the clarifications offered to queries from the Unitholders, the meeting transitioned into the voting process.</p> |
| Explanation for departure | : | |
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| <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 13.3

Listed companies should leverage technology to facilitate–

- voting including voting in absentia; and
- remote shareholders' participation at general meetings.

Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>The 11th AGM was held at the broadcast venue with restricted numbers in physical attendance to observe the requirements under SC's Guidance Note and FAQs on Conduct of General Meetings for Listed Issuers. Al-Aqar has conducted its 11th AGM on a fully virtual basis via live streaming and online remote voting on 18 April 2023. The Broadcast Venue of the Meetings was strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the meeting to be at the main venue. No Unitholders/Proxy(ies) was allowed to be physically present at the Broadcast Venue on the day of the Meetings.</p> <p>The voting of all resolutions set out in the notice of the Meetings was conducted by poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements. Al-Aqar has appointed Mega Corporate Services Sdn. Bhd. as Poll Administrator to conduct the poll by way of electronic voting and Cygnus Technology Solutions Sdn Bhd as Independent Scrutineers to verify the poll results.</p> <p>In the Group, the Manager's information security system has been placed under the purview of JLG IT Department. JLG IT Department adopts JCorp's Data Governance Framework, Policies and Procedures which outline how businesses within JCorp Group should manage the availability, usability, integrity, sharing and security of data.</p> <p>The Policies have been established to ensure that there is consistency in the way data is handled within JCorp Group as well as to reduce the risk of data misuse.</p> <p>JLG IT Department manages cybersecurity challenges through a stringent series of codes, policies and security controls. Unitholders' data is protected from intrusions and unauthorised access. The Manager's employees are subjected to the strictest standards of privacy and confidentiality.</p> |
| | : | |

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| 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 13.4

The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders. The engagement should be interactive and include robust discussion on among others the company's financial and non-financial performance as well as the company's long-term strategies. Shareholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

| | | |
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| <i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.</i> | | |
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Chairman of the meeting presented the progress and performance of the business which include among others Al-Àqar's financial and non-financial performance as well as its long term strategies.</p> <p>The Chairman of the 11th AGM also encouraged unitholders to pose questions during the meeting by using question pane provided in the live-streaming platform. All questions being posed by the unitholders were responded adequately particularly by the Chairman and the Management. For the questions which have not been responded during the meetings in the event of time constraint, it would be addressed promptly to the respective unitholders subsequent to the meetings.</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 13.5

The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself.

Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The 11th AGM was held at the broadcast venue with restricted numbers in physical attendance to observe the requirements under SC's Guidance Note and FAQs on Conduct of General Meetings for Listed Issuers. Al-Àqar has conducted its 11th AGM on a fully virtual basis via live streaming and online remote voting on 18 April 2023. Apart from facilitated higher participation rate, the virtual meeting allows those who were unable to attend, appointing proxy or Chairman as their proxy to vote on their behalf. The voting system allowed voting in absentia via online submission of Digital Ballot Form.</p> <p>The Chairman of the 11th AGM also encouraged unitholders to pose questions during the meeting by using question pane provided in the live-streaming platform. All the questions being posed by the unitholders can be seen by all meeting participants throughout the meeting. All the questions were duly addressed and responded by the Board and the 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

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

Practice 13.6

Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

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| <i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i> | | |
| Application | : | Applied |
| Explanation on application of the practice | : | The minutes of general meeting was confirmed by the Chairman and subsequently made available on Al-`Aqar's website at www.alaqar.com.my not later than 30 business days after every general meetings. |
| 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 PERSUANT 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.

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