

CORPORATE GOVERNANCE OVERVIEW STATEMENT

ARMB, being the management company of Axis-REIT, is pleased to present this Corporate Governance Overview Statement, which has been approved by the Board, and which provides insights into the best practices adopted by the Manager in managing Axis-REIT.

The Manager recognises that an effective corporate governance culture is critical to its performance and consequently the success and sustainability of Axis-REIT. The Manager is committed to high standards of corporate governance and has adopted a comprehensive corporate governance framework that meets best practice principles.

The following sections describe the Manager's corporate governance framework, practices and policies, which are substantially in accordance with the Malaysian Code on Corporate Governance that came into effect on 26 April 2017 ("CG Code"):

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

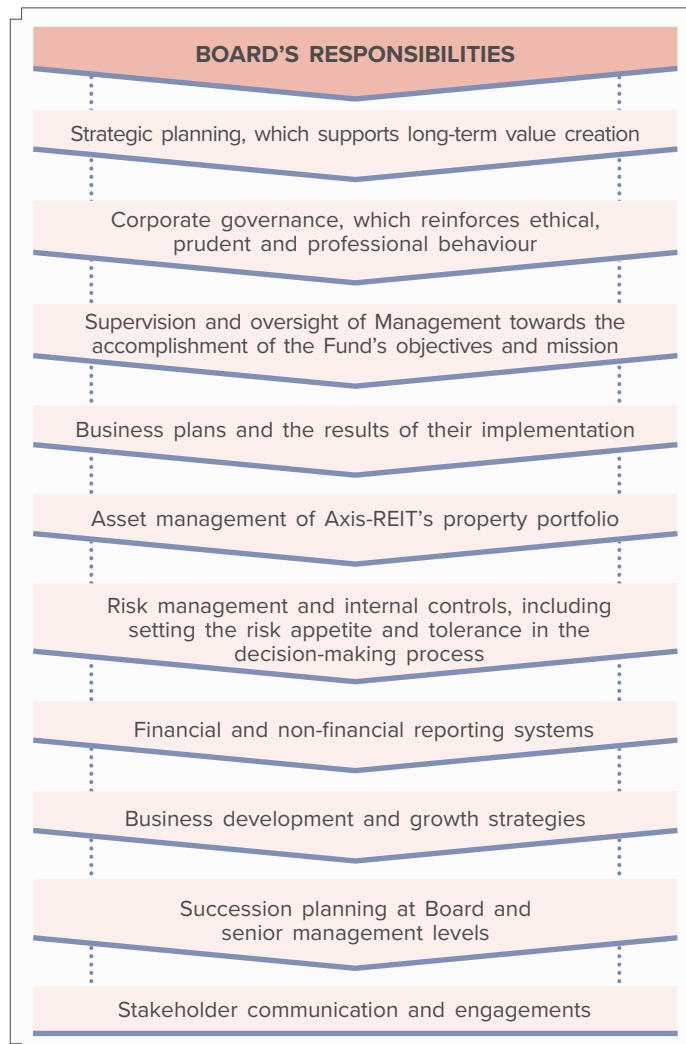
The Manager of Axis-REIT and the Board of Directors

ARMB is the appointed Manager of Axis-REIT in accordance with the terms of the trust deed constituting Axis-REIT ("Deed"). Pursuant to the Deed, the Manager has the duty to act honestly, with due care and diligence, and in the best interest of the Unitholders of Axis-REIT.

The Manager, being licensed under the Capital Markets and Services Act, 2007, is also required to observe and meet the minimum standards of conduct in the capital market as regulated by the SC.

The Manager has the general power over the assets of the Fund. The Manager's main responsibility is to manage the assets and liabilities of Axis-REIT for the benefit of the Unitholders of Axis-REIT. The primary role of the Manager, as led by the Board, is to set the strategic direction of the Fund and make recommendations to the Trustee of Axis-REIT on portfolio asset management, acquisitions, divestments, enhancements and developments that are in line with the agreed strategy. The Manager is also responsible for business planning, capital management and risk management of the Fund.

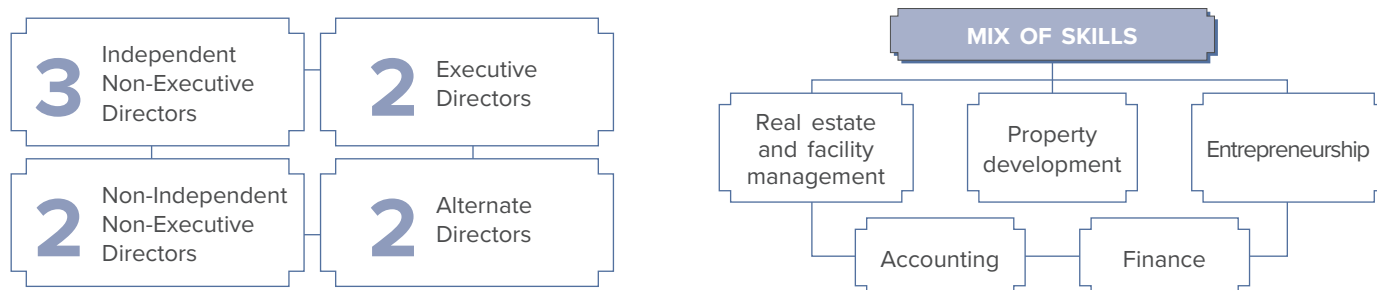
The overview of the Board's responsibilities in carrying out the duties of the Manager in accordance with the Deed, is as follows:



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Board Composition

As at 31 December 2019, the Board of Directors comprised the following:



The Board, with its mixture of Executive and Non-Executive Directors from diverse professional backgrounds, enables Management to tap their expertise and broad business experience when deliberating issues with the Board. The roles and responsibilities of the Board in discharging its fiduciary leadership functions are elaborated in the Board Charter, which can be accessed at Axis-REIT's corporate website, www.axis-reit.com.my.

Adoption of New Best Practices

During FYE2019, Axis-REIT's market capitalisation rose and crossed the RM2.0 billion threshold. In consideration that Axis-REIT would enter its financial year ending 31 December 2020 ("FYE2020") as a large company by the definition of the CG Code, the Board, at its meeting held in April 2019, had considered and approved the following:

- adoption of integrated reporting to improve the quality of information in the Annual Report
- facilitation of Directors' annual assessments by an independent party

Annual Assessment of Directors

In October 2019, the Board engaged a third-party consultant, Archer Consulting Group Sdn Bhd ("ACG"), to facilitate the independent assessment of the Board, Board Committees and each individual Director. ACG conducted these assessments through face-to-face interviews and electronic conferencing with the Directors. Based on the assessment results and the evaluation by the Nomination Committee of the Board, the Board recommended no change to its composition.

Independent Directors made up one-third of the Board and this complies with the requirements prescribed under the SC's Guidelines on Listed Real Estate Investment Trusts ("Listed REIT Guidelines"). The Board considers the current composition to be satisfactory, and any proposed change to the composition will require a careful and in-depth review based on the size, requisite mix of skills and competencies of the Board.

On having 30% women directors on Board, the Board in its Board Charter recognises gender as an important attribute to Board's effectiveness and has committed to have at least one female director on the Board.

Chairman of the Board and CEO

The positions of Chairman and CEO are held by separate persons in order to maintain an effective segregation of duties. This division of responsibilities is defined in the Board Charter and is summarised below:

Chairman of the Board	CEO
<ul style="list-style-type: none"> • provides leadership to the Board in relation to all aspects of the Board's roles and responsibilities • ensures that members of the Board work together with Management in a constructive manner to address strategies, business operations, financial performance and risk management issues • plays a role in the Manager's external relationship with stakeholders 	<ul style="list-style-type: none"> • has full executive responsibilities over the execution of the agreed business policies and directions set by the Board, and over all operational decisions in managing Axis-REIT • works closely with all the heads of department through weekly cross-departmental meetings in reviewing matters relating to operational issues, capital management, investment proposals, leasing activities, facilities and project management



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Strategic Planning and Target Setting

At the beginning of FYE2019, the Board reviewed and approved the budget of Axis-REIT, which provided the financial roadmap and targets for each department in executing the business plans of the Manager and Axis-REIT. Throughout the financial year, the Manager remained guided by Axis-REIT's 2021 Strategy Plan, which was approved by the Board in August 2016. This 2021 Strategy Plan, which sets out the long-term, five-year initiatives towards growing the Fund's Assets Under Management to RM5 billion by 2021, provided the guiding principles for the CEO and Senior Management Team to focus on in their efforts to deliver the best performance, productivity and results.

The Manager took a step further by embarking on integrated reporting in 2019 where the CEO and the Senior Management Team focused on integrated thinking of the relationship between all functional units within the organisation. During the gap assessment process under integrated reporting, Management reviewed its strategic focus areas towards the achievement of the 2021 Strategy Plan and through this process, incorporated the non-financial risks in relation to ESG matters in addition to the identified financial risks affecting the business and operations of Axis-REIT.

Details of the strategic focus areas are set out under the Risk and Strategy Section of this Report.



Board Meetings and Procedures

The Board met every quarter in FYE2019 to review, discuss and approve the release of Axis-REIT's quarterly and annual financial results. It also reviewed proposed acquisitions and disposals, corporate plans and the annual budget, capital management proposals, property reports, investor relations reports, as well as the performance of the Manager and Axis-REIT against the previously-approved budget, together with other proposals tabled by Management. The CEO led the business performance reporting at each Board meeting. The Chief Financial Officer, Head of Real Estate, Head of Investments and the Investments & Investor Relations Senior Manager, who are heads of departments of the Manager, were also present at the Board meetings to present their reports and to facilitate the review and deliberation of issues and matters presented to the Directors at such meetings. Via such conduct at Board meetings, the Board is able to oversee, assess and monitor Management's performance in administering the business of the Manager and Axis-REIT.

Prior to each Board meeting, the Executive Committee of the Board would meet to review all reports and proposals from Management before a comprehensive executive committee report is compiled and presented to the Directors at Board meetings. Such executive committee reports contain financial and operational updates, as well as proposals and recommendations for the Board's consideration, deliberation and decision.

All meeting dates are determined and fixed in advance so that all Directors are able to schedule and commit their time effectively. This is governed by the Board Charter, where expectations on time commitment are set. Directors who are abroad or travelling will have the option of participating in meetings via telephone and video conference arrangements.

Notices of meetings and their agendas are issued to all Directors no less than seven days in advance by the Company Secretary. The relevant meeting papers are compiled and distributed to all Directors as soon as practicable after the notices of meetings have been issued, within five business days prior to the date of meeting.

Access to Information and Advice

All members of the Board have access to all information in relation to the Manager and Axis-REIT at Board meetings, as well as through enquiries made via established channels. Emails are the most commonly used method to disseminate information to the Directors on a timely basis. The Board is also kept up-to-date via monthly financial updates circulated by the Finance department of the Manager, and this enables the Board to monitor and assess the performance and prospects of the Fund. All Directors have access to the rules and regulations governing the Fund and the Manager, as well as other policies approved by the Board via the Company Secretary, who maintains such corporate documents. The Manager also has a panel of financiers and consultants who provide professional advice in the areas of financing, capital markets, legal, property valuation and engineering due diligence, from whom advice can be sought. By having access to expert advice, the Board is able to ensure its decision-making mechanism is effective and result-oriented.

Company Secretary and Head of Compliance

The Board is supported by a professionally-qualified and competent Company Secretary who is also the Head of Compliance of the Manager. She is responsible for ensuring that the Board, Board Committees and shareholder/unitholder meeting procedures, corporate policies and procedures, and applicable rules and regulations are adhered to. The Company Secretary attended every Board meeting and Board Committee meeting held in FYE2019, and thereafter prepared the minutes of proceedings for approval by the respective Chairmen. The Company Secretary also kept the Board abreast of all relevant regulatory updates to laws and requirements at physical

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meetings, as well as via email. As the Head of Compliance of the Manager, she also assists the CEO in legal and corporate compliance matters by liaising and working closely with the appointed external solicitors and professional advisers.

At the Board meeting held in April 2019, the Company Secretary had advised the Board on the best practices to be adopted by large companies. The best practices adopted by the Board are disclosed above.

A notable new development in the legal landscape during the year was the introduction of Section 17A of the Malaysian Anti-Corruption Act 2009 ("MACC Act"), which generally imposes a new corporate liability on commercial organisations for their failure to prevent corruption. The Company Secretary ensured that this new legal development was brought to the attention of Management and the Board during Management and Board meetings. She also presented the 'Guidelines on Adequate Procedures' issued by the Prime Minister's Department to the Board for notation.

Apart from ensuring that the risk management framework of the Manager takes into account corruption risks, the Board also engaged its legal solicitors to advise and assist the Manager in order to ensure that it will be ready for this new regulatory requirement once it is enforced in June 2020.

The following steps were mobilised by the legal solicitors during FYE2019:

- Conducted awareness training for Directors and Management
- Facilitated interview sessions with Management and other officers of the Manager in order to understand the business and operations of the Manager
- Reviewed the Manager's existing Code of Conduct, Whistle-Blowing Policy and other relevant policies

The Board endeavours to put in place an anti-corruption framework for the Manager, in line with the 'Guidelines on Adequate Procedures' before June 2020.

Board Charter, Code of Conduct and Whistle-Blowing Policy

Policies	Scope
Board Charter	Provides a clear description of the responsibilities of the Board, its Directors and the Board Committees
Code of Conduct	Outlines the rules of professional conduct, proper practices and ethical behaviour expected of the Manager and its personnel
Whistle-Blowing Policy	Facilitates the management of reports and claims filed in relation to possible improprieties in matters relating to financial reporting, compliance, misconduct and other malpractices

These policies can be accessed on Axis-REIT's corporate website. They are currently under review for the purpose of incorporating the policies, processes and procedures that will address anti-corruption risks.

Board Remuneration and Remuneration Policy

As Axis-REIT is externally managed by ARMB, it has no employees, and the Directors sit on the Board of ARMB. The Manager, strategically led by the Board, ensures that it appoints experienced and well-qualified personnel to handle its day-to-day operations. All Directors and employees of the Manager are remunerated by the Manager and not by the Fund. The Manager is a privately-owned company.

Details of the Remuneration Committee, which is responsible for the determination of the remuneration policy framework of the Manager's Directors, are set out in the Remuneration Committee section below.

In line with the Board's remuneration policy, which is documented in the Board Charter of the Manager, the Remuneration Committee, at its meeting, reviews the annual remuneration proposals presented by the Executive Committee. The Chairman of the Remuneration Committee, who is an Independent Non-Executive Director, brings his experience and exposure to facilitate the review of the proposals presented by the Executive Committee. The Board perceives that the Chairman of the Remuneration Committee contributes to the independent element of the review process.



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There was no change in the Board's remuneration policy and in FYE2019, the Remuneration Committee carried out the same process of reviewing the remuneration packages of the CEO and other Directors. In reviewing the CEO's remuneration, her leadership, performance and contributions to Axis-REIT were the key indicators assessed by the Remuneration Committee. Directors' Fees are reviewed based on market factors. All proposals were then recommended to the Board for its final decision, and abstentions from voting by interested Directors were recorded by the Company Secretary.

All remuneration matters at senior management level are reviewed and determined by the Executive Committee and where required, on a case-to-case basis, the Board's guidance and/or approval is sought.

A brief overview of the Directors' remuneration (comprising salaries, other emoluments, fees, meeting allowances and benefits-in-kind) in respect of FYE2019 is presented below:

Range of Remuneration Per Annum	Executive Directors	Non-Executive Directors
RM50,000 - RM200,000	1	5
RM200,001 - RM400,000	—	—
RM400,001 - RM600,000	—	—
RM600,001 and above	1	—

Note: Details of Directors' and senior management's individual remunerations are not disclosed as the Directors and senior management are remunerated by the Manager, which is a privately-owned company. The Manager believes that the overview presented above is sufficient for public disclosure, and that the non-disclosure of individual remunerations is essential to protect the interests of the Manager and its officers.

Board Committees and their Roles

The Board delegates certain functions to the Board Committees to assist in discharging its duties. These delegated functions are as follows:

EXECUTIVE COMMITTEE	AUDIT COMMITTEE
<ul style="list-style-type: none"> Manages the business of the Manager and Axis-REIT in accordance with the vision and mission established and approved by the Board Oversees and monitors the day-to-day business activities of the Manager and Axis-REIT Oversees the internal talent and senior leadership/key management team and its succession planning 	<ul style="list-style-type: none"> Assists the Board in ensuring that a balanced and understandable assessment of Axis-REIT's financial position and prospects is presented to the investing public Assists the Board in the areas of internal controls, risk management and governance processes of Axis-REIT and the Manager
REMUNERATION COMMITTEE	NOMINATION COMMITTEE
<ul style="list-style-type: none"> Recommends to the Board the policy framework for the remuneration of the Executive and Non-Executive Directors of the Board, as well as key management officers (if any) Reviews the remuneration framework from time to time, to ensure that the Manager attracts and retains individuals of the highest calibre 	<ul style="list-style-type: none"> Ensures that the Manager recruits, retains and develops the best available executive and non-executive directors Reviews succession at Board level Assesses the Board's structure, size and composition Evaluates the Directors' mix of skills, expertise and level of competencies

The Board Committees are guided by their respective Terms of Reference. The Terms of Reference of the Audit Committee, Nomination Committee and Remuneration Committee are available for reference on Axis-REIT's corporate website.



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► Audit Committee

The Audit Committee has the oversight duty to ensure that the financial reporting systems, internal controls and risk management systems of the Manager are robust.



The Audit Committee Report, which contains a summary of activities carried out by the Committee during FYE2019, is set out as a separate section in this Report.

► Remuneration Committee

As the Directors of the Manager are remunerated by the Manager and not by the Fund, the Executive Committee of the Manager plays an important role in presenting proposals to the Remuneration Committee. In this regard, Dato' Abas Carl Gunnar Bin Abdullah and Mr Stephen Tew Peng Hwee @ Teoh Peng Hwee sit on the Remuneration Committee as members, and they have the task of representing the Executive Committee in presenting remuneration proposals for consideration by the Remuneration Committee, under the scrutiny of its Independent Chairman.

The Board had determined the composition of the Remuneration Committee to be as described above, and accepted its departure from the recommended composition as stated in the CG Code. To the Board, the views of the Executive Committee are essential in the deliberation process, especially in reviewing the remuneration proposal for the CEO. This is because the Executive Committee oversees the primary management activities and business of Axis-REIT and thus, has a better understanding of the performance and contributions of the CEO.

► Nomination Committee

The chair of the Nomination Committee is the Senior Independent Director of the Board. He plays an important support role to the Chairman in fostering strong relationships and balance across the Board.

The Nomination Committee undertook the following activities in FYE2019, which were the annual affairs of this Committee:



- Reviewed the performance evaluation carried out on the Board, Directors and Board Committees based on the assessment results compiled by the external facilitator. The Nomination Committee had expressed satisfaction with the level of corporate governance values/practices which are embedded in the functions of the Board, operations and management processes of the Manager



- Considered and made no recommendation to revise the recruitment criteria



- Adopted the criteria for the annual assessment of Directors (including the assessment of independence and the assessment of Directors whose tenures had exceeded nine years) as employed by the external facilitator in their assessment processes



- Reviewed the existing composition of the Board, as well as the effectiveness of the Board and Board Committees. No change to the Board's composition was recommended by the Committee



- Considered the gender diversity of the Manager, bearing in mind the recommendation to have 30% female board representation pursuant to the CG Code. The Board is of the opinion that the selection of suitable candidates for appointment to the Board must be based on merit



- Reviewed succession plans at Board level



- Assessed the training needs of the Directors. The Manager is committed to arranging annual in-house training sessions for the Directors and senior management of the Manager



- Reviewed the term of office and performance of the Audit Committee in accordance with Paragraph 15.20 of the MMLR. No exception was noted from the assessment results



- Assessed the retiring Directors in accordance with the Constitution of the Manager and recommended to the Board their respective re-elections



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Assessment of Independent Directors

The Board undertook an annual evaluation of its three Independent Directors, namely YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin, Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor and Encik Mohd Sharif Bin Hj Yusof, based on the results of the assessment that was facilitated by ACG. ACG's report had indicated that pursuant to the interviews conducted, the Independent Directors demonstrated that they are objective and independent in expressing their views and in participating in deliberations and decision-making of the Board and Board Committees.

All three Independent Directors were also subject to additional evaluations, given that they had served on the Board as Independent Directors for more than nine years. Accordingly, the Board assessed the three Independent Directors, taking into consideration their tenure on the Board, and considered them still independent.

The Board was of the opinion that their independence has not been materially compromised by the length of their service as Independent Directors of the Board. Accordingly, and as good practice, the Board will seek approval from the Manager's sole shareholder for the retention of the three Independent Directors at the Manager's annual general meeting to be held during FYE2020. This will enable the sole shareholder (who has control over the appointment of Directors) to determine whether the Independent Directors are fit to remain on the Board in their current roles.

The mechanism provided under the CG Code in relation to the two-tier voting process for the re-appointment of Independent Directors is not applicable to the Manager because the Manager is a wholly-owned subsidiary of a private company.

Attendance at Board and Board Committee Meetings in FYE2019

Board of Directors	Designation	Attendance
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Independent Non-Executive Chairman	3/4
Dato' Abas Carl Gunnar Bin Abdullah (Alternate Director: Alex Lee Lao)	Executive Deputy Chairman	3/4
Stephen Tew Peng Hwee @ Teoh Peng Hwee	Non-Independent Non-Executive Director	4/4
Leong Kit May	Chief Executive Officer/Executive Director	4/4
Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Independent Non-Executive Director	4/4
Mohd Sharif Bin Hj Yusof	Senior Independent Non-Executive Director	3/4
Alvin Dim Lao (Alternate Director: Jancis Anne Que Lao)	Non-Independent Non-Executive Director	2/4
Executive Committee Members	Designation	Attendance
Dato' Abas Carl Gunnar Bin Abdullah (Alternate Director: Alex Lee Lao)	Chairman	3/4
Stephen Tew Peng Hwee @ Teoh Peng Hwee	Member	4/4
Leong Kit May	Member	4/4
Audit Committee Members	Designation	Attendance
Mohd Sharif Bin Hj Yusof	Chairman	4/4
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Member	4/4
Alvin Dim Lao (Alternate Director: Jancis Anne Que Lao)	Member	3/4



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Remuneration Committee Members	Designation	Attendance
Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Chairman	1/1
Dato' Abas Carl Gunnar Bin Abdullah (Alternate Director: Alex Lee Lao)	Member	1/1
Stephen Tew Peng Hwee @ Teoh Peng Hwee	Member	1/1
Nomination Committee Members	Designation	Attendance
Mohd Sharif bin Hj Yusof	Chairman	1/1
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Member	1/1
Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Member	1/1

Directors' Training

The Board ensures that its members have access to appropriate continuing education programmes to stay updated on relevant developments, and to enhance their skills and strengthen their participation in Board deliberations. The Company Secretary, on behalf of the Nomination Committee, compiles a list of training topics relating to governance, audit and risk management, innovation, law, and regulations for consideration by the Directors and Audit Committee members.

Details of training programmes attended by Directors in FYE2019 were compiled by the Company Secretary for reporting to the Nomination Committee and the Board accordingly. An in-house training session on the implications of Section 17A of the MACC Act, entitled the "Guidelines on Adequate Procedures", conducted by Lee Hishammuddin Allen & Gledhill ("LHAG"), was also organised for all Directors in October 2019.

All the Directors of the Manager have attended training programmes during FYE2019. Some Directors remain actively involved in speaking engagements and presented talks at conferences and seminars. The details of Directors' participation in talks and training programmes are as follows:

Director	Date	Events
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	3-4 September 2019	Asia Pacific Property Leaders' Summit 2019
	21 October 2019	Guidelines on Adequate Procedures by LHAG
Dato' Abas Carl Gunnar bin Abdullah	21 October 2019	Guidelines on Adequate Procedures by LHAG
Stephen Tew Peng Hwee @ Teoh Peng Hwee	15-16 March 2019	Malaysian Annual Real Estate Convention Summit 2019
	21 October 2019	Guidelines on Adequate Procedures by LHAG



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Director	Date	Events
Leong Kit May	3 January 2019	CIMB 11th Annual Malaysia Corporate Day
	8 March 2019	Women in Law: Challenges & Perspectives
	20 March 2019	Invest Malaysia Conference 2019
	3 April 2019	Secrets to Success in the Financial Industry Financial Planning Symposium 2019
	1 August 2019	LHAG Tax, SST & Customs Seminar 2019
	3-4 September 2019	Asia Pacific Property Leaders' Summit 2019
	26 September 2019	The 6th Edition REITS Asia Pacific 2019, Singapore
	21 October 2019	Guidelines on Adequate Procedures by LHAG
	22 October 2019	Maybank Global Markets Economic Outlook for 2020
	31 October 2019	MRMA-APREA Malaysia REIT Forum 2019
	1 November 2019	Briefing on Corporate Liability Provision and Anti-Corruption by Securities Commission Malaysia
	7 November 2019	EY C-Suite Forum 2019
Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	14 January 2019	KPMG – Special Dialogue with LHDN (KPMG Tax Seminar)
	28 January 2019	Launching Ceremony of National Housing Policy Book
	1 March 2019	MAPEX 2019: REHDA Opening Ceremony of Home Ownership
	19 March 2019	Maybank: Invest Malaysia 2019 – The Capital Market Forum
	23 April 2019	CEO Roundtable: Coping with the New Property Landscape: Overcoming Challenges
	29 June 2019	REHDA Annual Delegates Conference
	15 August 2019	Leadership Roundtable “Competitive Leadership in the Era of VUCA”
	21 October 2019	Guidelines on Adequate Procedures by LHAG
	29 October 2019	AMInvestment Bank: Macro Update of Property Sector
	19 November 2019	CEO Series – Annual Developers Conference The Progress of the Central Region Development
	20 November 2019	Corporate Liability on Corruption Implications of S17A of the MACC Act Business Updates and Insights



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Director	Date	Events
Mohd Sharif bin Hj Yusof	6 August 2019	ACI Breakfast Roundtable 2019 by KPMG
	21 October 2019	Guidelines on Adequate Procedures by LHAG
Alvin Dim Lao	21 January 2019	JP Morgan Philippine Conference
	27-28 February 2019	UBS CEO/CFO Forum
	3-5 September 2019	APREA Asia Pacific Property Leader Summit
	4 November 2019	2019 Revised Corporation Code of the Philippines
Alex Lee Lao	4 November 2019	2019 Revised Corporation Code of the Philippines
Jancis Anne Que Lao	August-October 2019	Commercial Real Estate Analysis and Investment (online short course)
	2-3 October 2019	Fundamentals of Corporate Directorship – Module C Financial Language in the Boardroom
	21 October 2019	Guidelines on Adequate Procedures by LHAG



PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

An Effective Audit Committee

The Audit Committee plays an important role in the governance structure of the Manager, and this Committee discharged its duties in accordance with its Terms of Reference throughout FYE2019.



More details on how the Audit Committee had discharged its duties in FYE2019 are presented in the Audit Committee Report.

Assessment of the External Auditors

The assessment of the External Auditors of Axis-REIT for re-engagement is an annual affair for the Manager.

In facilitating the Audit Committee in its evaluation of the proposed re-appointment of Messrs KPMG PLT as the External Auditors for Axis-REIT for FYE2019, the Company Secretary had formulated two assessment tools which were approved and adopted by the Audit Committee. The tools involved an interview process with the Partner-in-Charge, facilitated by the Company Secretary, and an evaluation checklist completed by Management. The results of these assessments formed the basis of the Audit Committee's evaluation of the External Auditors.

The evaluation process was conducted in April 2019 and the evaluation tools addressed the following criteria:

- Calibre of the external audit firm
- Quality of the audit process, scope and planning
- Effectiveness of the audit communications
- Auditors' independence and objectivity
- Auditors' suitability for re-appointment

Upon due assessment, the Audit Committee recommended to the Board the re-engagement of Messrs KPMG PLT as the External Auditors of Axis-REIT in respect of FYE2019, for onward recommendation to the Trustee for approval. The re-appointment of the External Auditors of Axis-REIT is not subject to the approval of the Unitholders.

The private engagements held between the Audit Committee and the External Auditors without the presence of Management also provided a platform for the Audit Committee to gauge the working relationship between the External Auditors and Management, as well as the level of independence demonstrated by the External Auditors.

Risk Management and Internal Control Systems

Effective risk management is a fundamental part of the Manager's business strategy. It ensures that there are no adverse disruptions to the Manager's pursuit and accomplishment of Axis-REIT's business goals and objectives, and mitigates any potential loss that may negatively impact the Unitholders of Axis-REIT so as to preserve their investments.

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Risk management has been part of the Manager's day-to-day operations and is embedded in the operational functions of the Manager. The barometer for risk management is the Risk Register, which was formulated by the Manager to capture and periodically monitor key risk areas. The Risk Register is reviewed by the Audit Committee on a quarterly basis for reporting to the Board.



Further details on the risk management framework of the Manager are contained in the Statement on Risk Management and Internal Control.

The internal audit function is outsourced to an independent consultancy firm, Baker Tilly Monteiro Heng Governance Sdn Bhd, which carries out the audit review based on an approved internal audit plan. The Internal Auditors report directly to the Audit Committee and attend the quarterly Audit Committee meetings where internal audit reports are presented and discussed. The Audit Committee has the delegated function of monitoring the performance of the internal audit function and its effectiveness for reporting to the Board on a quarterly basis.



Further details on the internal audit activities are also contained in the Statement on Risk Management and Internal Control.

Assessment of the Effectiveness and Independence of the Internal Audit Function

The Audit Committee conducted its annual assessment on the effectiveness and independence of the internal audit function. The evaluation was based on the results of the interview with the person-in-charge of the internal audit function, which was conducted by the Company Secretary using the assessment tool adopted by the Audit Committee.

The Audit Committee was satisfied that:

- (i) The internal audit team members are free from any relationships and/or conflict of interest, which could impair their objectivity and independence.
- (ii) The number of staff and resources allocated to the internal audit works of the Manager is adequate.
- (iii) There has been no change to the internal audit approach applied in FYE2019, and the internal audit function of the Manager is carried out in accordance with the industry's best practices, benchmarked against the applicable practices in the International Standards for Professional Practice of Internal Auditing.

- (iv) The team leader from Baker Tilly Monteiro Heng Governance Sdn Bhd, who is in-charge of the internal audit function of the Manager, is independent, experienced, and possesses the qualifications required to render his internal audit services.

The engagement of the Internal Auditors, including their professional fees, are also reviewed and renewed annually where the Audit Committee, in its review, would take into account the performance of the Internal Auditors' past services, their level of independence in carrying out their internal audit work, and their working relationship with Management.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Disclosure and Communication with Unitholders and the Investing Community

The Manager has established a strong culture of continuous disclosure and transparent communication with Unitholders and the investing community. The Manager achieves this through timely and full disclosure of all material information relating to Axis-REIT by way of public announcements on Bursa Securities' website, through the Fund's corporate website at www.axis-reit.com.my, as well as through press releases, analyst briefings and retail roadshows.

Corporate Website

The Manager has in place a dedicated section for corporate governance on Axis-REIT's corporate website, which provides information such as the Board Charter, Code of Conduct, Whistle-blowing Policy and Terms of Reference. The Manager has dedicated personnel responsible for updating the Fund's corporate website with pertinent and relevant information in a regular and timely manner.

In FYE2019, two new policies, i.e. the Supplier Code of Conduct, and the HSE Policy, were added onto the corporate website. Stakeholders who have or intend to have business dealings or associations with the Manager and Axis-REIT are expected to read and understand these policies which are made publicly available.

The Board is committed to promoting effective communication and proactive engagements with Unitholders and the investing community through the Investor Relations department of the Manager. This department is guided by the Fund's Investor Relations and Corporate Disclosure Policy, which is also accessible on Axis-REIT's corporate website.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

Enhanced Governance in the Investor Relations Function

In order to keep the investing public aware of the timing of the release of Axis-REIT's quarterly financial results, the Manager continued its practice of announcing the targeted date for such releases ("Targeted Date") within two weeks prior to each Board meeting throughout FYE2019. This practice was enhanced in the beginning of this year (FYE2020), where a black-out period was introduced. This black-out period will commence when the announcement of the Targeted Date is released to Bursa Securities. During this period, the CEO and Management Team are not allowed to meet and/or be involved in any communications or arrangements that are related to investor relations until the quarterly financial results are announced and disseminated to the investing public. Due to this black-out period, the practice of announcing the Targeted Date was changed from two weeks to five market days prior to the Targeted Date.

The Manager views the preservation of price-sensitive information as highly important to prevent against any leakage of information, whether inadvertently or intentionally, and thus, implemented the policy described above.



Further details on communications with Unitholders, the investing community, analysts and fund managers are covered in the Manager's Discussion and Analysis.

Other Stakeholder Engagements and Relationship Management

The Manager also places emphasis on engaging other stakeholders such as its employees, the tenants of Axis-REIT, and local communities. These engagements contribute to the business decision-making process as they provide insights and ideas to meet stakeholders' expectations and sustainable goals. The Marketing department is tasked with undertaking the various marketing initiatives and activities.

AGM and Unitholders' Meetings

AGMs and Unitholders' meetings are the primary forums where Unitholders are presented with quality information that enables them to have a better appreciation of the goals and objectives of Axis-REIT, the milestones achieved during the year, the challenges faced, as well as the prospects of the Fund. Concurrently, these sessions also serve as a platform for Unitholders to bring their expectations and concerns to the attention of the Manager.

The Seventh AGM of Axis-REIT was convened and held on 30 April 2019, with the AGM Notice being issued together with the 2018 Annual Report on 28 February 2019. Ample time was allocated for Unitholders to read through the 2018 Annual Report and consider the resolutions that would be tabled at the AGM. Sufficient explanatory notes were also given in the AGM Notice to facilitate Unitholders' consideration of the resolutions for which their approval was sought.

At the AGM, the Manager presented an update on Axis-REIT's financial performance for FYE2018, as well as its activities, progress and prospects. The Board provided opportunities for Unitholders present at the meeting to raise questions pertaining to the business activities of Axis-REIT. The Chairman, CEO and other Directors of the Manager were present at the AGM to answer queries posed. The Senior Management Team, including the Company Secretary, played an important part in facilitating the smooth running of the AGM.



A summary of the AGM is contained in the summary of minutes of the Seventh AGM, which is available on Axis-REIT's corporate website.

On 3 December 2019, a Unitholders' Meeting was convened and held for the purpose of seeking the specific approval from Unitholders for the placement of new units to the Employees Provident Fund Board and Kumpulan Wang Persaraan (Diperbadankan), who are both major Unitholders of Axis-REIT. The circulars to Unitholders, which had been prepared by the appointed principal adviser, were issued to all Unitholders in accordance with the prescribed timeframe.

At this meeting, Unitholders were able to obtain clarifications on the rationale for the placement exercise and its impact on Axis-REIT. The Ordinary Resolutions in relation to the placement of new units to the Employees Provident Fund Board and Kumpulan Wang Persaraan (Diperbadankan) were voted on by poll and duly approved by the Unitholders.

Proceedings at AGM and Unitholders' Meetings

All voting procedures at the AGM and Unitholders' Meeting were conducted electronically where the process was systematically managed, ensuring accurate voting results being generated.

Compliance Statement

The Board is satisfied that the Manager has substantially applied the principles and best practice recommendations prescribed under the CG Code in its management of Axis-REIT during FYE2019. This Statement has been tabled and approved by the Board of Directors on 20 January 2020.

