

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Axis REIT Managers Berhad (“ARMB” or “Manager”), being the management company of Axis Real Estate Investment Trust (“Axis-REIT” or “Fund”), is pleased to present this Corporate Governance Overview Statement, approved by the Board of Directors (“Board”), 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”), restated as the Third Principal Deed on 28 November 2013. 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 Securities Commission Malaysia (“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 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:

Board’s Responsibilities	• Strategic planning, which supports long-term value creation
	• Corporate governance, which reinforces ethical, prudent and professional behaviour
	• Supervision and oversight of Management towards the accomplishment of the Fund’s objectives and mission
	• Business plans and the results of their implementation
	• Asset management of Axis-REIT’s property portfolio
	• Risk management and internal controls, including setting the risk appetite and tolerance in the decision-making process
	• Financial and non-financial reporting systems
	• Business development and growth strategies
	• Succession planning at Board and senior management levels
	• Stakeholder communication and engagements

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Board Composition

As at 31 December 2018, the Board of Directors comprised the following:

- Three Independent Non-Executive Directors
- Two Executive Directors
- Two Non-Independent Non-Executive Directors
- Two Alternate Directors

The composition of the Board was reduced from ten directors to nine during the financial year ended 31 December 2018 ("FYE2018") with the resignation of Mr Yeoh Chong Keat as a Non-Independent Non-Executive Director on 30 April 2018.

The Board consists of a mixture of Executive and Non-Executive Directors from diverse professional backgrounds such as real estate and facility management, property development, entrepreneurship, accounting and finance. This 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.

Independent Directors made up one-third of the Board and this complies with the requirement prescribed under the SC's new Guidelines on Listed Real Estate Investment Trusts ("Listed REIT Guidelines") that came into effect on 9 April 2018. 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 skill and competency of the Board.

Chairman of the Board and Chief Executive Officer ("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.

The Chairman provides leadership to the Board in relation to all aspects of the Board's roles and responsibilities. He also 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. The Chairman plays a role in the Manager's external relationship with stakeholders as well.

The CEO 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. The CEO 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.

Axis-REIT continued to pursue its property development strategy, and in April 2018, embarked on its second project, developing a facility in Subang known as the Axis Aerotech Centre. The CEO is actively leading and monitoring this project with a team of contractors, project managers and consultants.

Strategic Planning and Target Setting

At the beginning of FYE2018, 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. The Manager is also 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, was reassessed at the Strategy Planning Session of the Manager conducted in September 2018. Management under the leadership of the CEO was refocused on the agreed initiatives formulated under the 2021 Strategy Plan.

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Board Meetings and Procedures

The Board met every quarter in FYE2018 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 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 under the Board Charter where expectations on time commitment are set. Directors who are 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, and the relevant meeting papers are compiled and distributed to all Directors as soon as practicable after the notices of meetings have been issued. In order to keep the investing public aware of the timing of the release of Axis-REIT's quarterly financial results, the Manager announces the targeted date for such releases within two weeks prior to each Board 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 FYE2018, 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 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.

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In FYE2018, the most notable regulatory changes were the SC's new Listed REIT Guidelines and the revamped Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Company Secretary ensured that she briefed both Management and the Board on the key changes arising from the Listed REIT Guidelines and the revamped MMLR on a timely basis. The Company Secretary had, among others, carried out/facilitated the following action plans to comply with the latest prescribed rules:

- Advising the Board and Management on the liberalised rules relating to development activities, acquisition of real estate via lease arrangements, capital raising, and other pertinent matters;
- Reviewing existing procedures relating to related party transactions ("RPT") and recurrent RPT ("RRPT"), and formulating the standard operating procedures for RPT and RRPT in the Manager's Operations Manual;
- Working closely with the Finance team to identify and compile information on all RPT and RRPT of Axis-REIT, and advising the Finance team on the computation of percentage ratios and transaction thresholds prescribed under the revamped MMLR;
- Advising the Property Manager on the change in the frequency of required property revaluations, from once every three years to an annual revaluation;
- Assessing the compliance level of the Audit Committee to ensure that the Audit Committee complies with the relevant provisions contained in the revamped MMLR;
- Facilitating the Internal Auditors' review of the Manager's compliance with the SC's new Listed REIT Guidelines and Bursa Securities' revamped MMLR;
- Updating the internal checklist for contents of the Annual Report and advising Management on the relevant changes to the said contents.

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

The Board Charter, Code of Conduct and Whistle-Blowing Policy are some of the main corporate policies that reinforce the standards of corporate governance within the Manager. These policies are essential in safeguarding the organisation and its employees from implications which may arise from non-compliance. These policies were reviewed by the Board and no revisions were recommended in FYE2018. These policies can be accessed on Axis-REIT's corporate website.

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, is set out in the Remuneration Committee section below.

The Board, through its Remuneration Committee and in consultation with the Executive Committee, has established transparent remuneration policies and procedures. The remuneration framework reflects the Board's responsibilities, expertise and the complexity of the Manager's operations and activities. It is also aligned with the business strategy and long-term objectives of the Manager.

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In line with the Board's remuneration policy, 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. All recommendations relating to fees and remuneration packages of the CEO and Directors shall then be made by the Remuneration Committee to the Board. The Board as a whole will then consider and make the final decision on the remuneration packages recommended by the Remuneration Committee.

There was no change in the Board's remuneration policy in FYE2018, and this policy is documented in the Board Charter of the Manager.

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 FYE2018 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 following Board Committees have the delegated functions to assist the Board in discharging its duties:

<p>EXECUTIVE COMMITTEE</p> <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 	<p>AUDIT COMMITTEE</p> <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
<p>REMUNERATION COMMITTEE</p> <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 	<p>NOMINATION COMMITTEE</p> <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

All the above 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 the summary of activities carried out by this Committee during FYE2018, is set out as a separate section in this Annual 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 have the task of representing the Executive Committee in the Remuneration Committee, given that they are members of both these Board Committees. The Executive Committee proposes to the Remuneration Committee the remuneration package of the Directors and senior management personnel (where applicable), taking into consideration, among others, the level of performance against agreed targets. All proposals presented by the Executive Committee are considered carefully by the Remuneration Committee, drawing from outside advice as necessary, in accordance with the Board's remuneration policy described above.

During FYE2018, the Remuneration Committee reviewed the remuneration package of the CEO based on the proposal presented by the Executive Committee, and made recommendations to the Board accordingly. Directors' fees were also reviewed, taking into consideration market factors. The Board ultimately made the final decisions in respect of the remunerations of the Executive and Non-Executive Directors. Each Director had accordingly abstained from deliberation and voting on their own respective remuneration.

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 FYE2018, which were the annual affairs of this Committee:

- Reviewed the performance evaluation carried out on the Board, Directors and Board Committees. The performance evaluation was facilitated by the Company Secretary and the results were reported to the Nomination Committee for its onward review. The Nomination Committee had expressed satisfaction as to the level of corporate governance values/practices which are embedded in the functions of the Board, operations and management processes of the Manager;
- Enhanced the existing recruitment criteria of the Manager to be aligned with the SC's new Listed REIT Guidelines;
- Considered and made no recommendation to revise the criteria for the annual assessment of Directors (including the assessment of independence and the assessment of Directors whose tenures had exceeded nine years) in view that the existing criteria remain relevant to the Directors of the Manager;
- 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;
- 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;

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

Assessment of Independent Directors

The Board had undertaken an annual assessment 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 criteria approved by the Nomination Committee. The three Independent Directors of the Manager had confirmed their independence in writing to the Board. All three Independent Directors of the Manager were also subject to additional evaluation, given that they had served on the Board as Independent Directors for more than nine years. Accordingly, the Board assessed the three Independent Directors and considered them still independent based on their respective written assessments submitted.

The Board was of the opinion that their independence would not be materially compromised by the length of their service as Independent Directors of the Board. 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. In accordance with best practices, the Board will be seeking the approval from the sole shareholder of the Manager at the Manager's 2019 annual general meeting for the retention of all three Independent Directors.

Attendances at Board and Board Committee Meetings

The attendance of the Directors at the Board and Board Committee meetings held during FYE2018 is presented below:

Board of Directors	Designation	Attendance (No. of meetings held: 4)
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Independent Non-Executive Chairman	4/4
Dato' Abas Carl Gunnar Bin Abdullah (Alternate Director: Alex Lee Lao)	Executive Deputy Chairman	4/4
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	4/4
Alvin Dim Lao (Alternate Director: Jancis Anne Que Lao)	Non-Independent Non-Executive Director	3/4
Yeoh Chong Keat (Resigned w.e.f. 30 April 2018)	Non-Independent Non-Executive Director	1/2

Executive Committee Members	Designation	Attendance (No. of meetings held: 5)
Dato' Abas Carl Gunnar Bin Abdullah (Alternate Director: Alex Lee Lao)	Chairman	4/5
Stephen Tew Peng Hwee @ Teoh Peng Hwee	Member	5/5
Leong Kit May	Member	5/5

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Audit Committee Members	Designation	Attendance (No. of meetings held: 4)
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

Remuneration Committee Members	Designation	Attendance (No. of meeting held: 1)
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 (No. of meeting held: 1)
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.

Details of training programmes attended by Directors in FYE2018 were compiled by the Company Secretary for reporting to the Nomination Committee and Board accordingly. An in-house training session on the implementation of the Sales and Service Tax, conducted by PWC, was also organised for all the Directors in October 2018.

All the Directors of the Manager have attended training programmes during FYE2018 in compliance with the MMLR. Some of the Directors remain actively involved in speaking engagements and presented talks at conferences and seminars. The details are as follows:

Director	Date	Events
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	22 October 2018	Sales and Service Tax by PWC
Dato' Abas Carl Gunnar bin Abdullah	22 October 2018	Sales and Service Tax by PWC
Stephen Tew Peng Hwee @ Teoh Peng Hwee	2 – 3 March 2018	Malaysian Annual Real Estate Convention 2018 – Embracing Changes with Innovation
	30 April 2018	Strata Management Act 2013 (Act 757) and SM Regulations 2015

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Director	Date	Events
Leong Kit May	24 January 2018	Invest Malaysia Conference 2018
	30 April 2018	Strata Management Act 2013 (Act 757) and SM Regulations 2015
	14 May 2018	Hong Leong Investment Bank REIT Day
	17 July 2018	Maybank IB REITs Corporate Day
	26 July 2018	Sharpen Your Skills on Listing Requirement Compliance
	2 August 2018	5th Edition REITS Asia Pacific 2018, Singapore
	24 September 2018	REHDA Annual Property Developers Conference
	22 October 2018	Sales and Service Tax by PWC
	27 November 2018	Property Portfolio Management of a REIT
Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	9–21 January 2018	CES 2018, Las Vegas, USA
	24 January 2018	EdgeProp Malaysia's Best Managed Property Awards 2018 Supporters and Partners Official Handshake Ceremony
	1 February 2018	JUDANREN Delegation Meeting
	2 March 2018	ASEAN Real Estate Network Alliance (ARENA) Meeting
	29 March 2018	Strata Handbook Launching
	27 April 2018	MAPEX APRIL 2018
	7 May 2018	Malaysia's Best Managed Property Award 2018
	1 June 2018	Property Insight Awards 2018
	12 July 2018	Majlis Konsultasi Bajet 2019
	14 July 2018	REHDA : Annual Delegates' Conference
	16 August 2018	Sustainable Housing Futures Conference, The New Urban Agenda
	28 August 2018	Directors Duties and Obligations
	12 October 2018	MAPEX OCTOBER 2018
	29 October 2018	TEPEA2018–Top Property Developers Awards
22 November 2018	GreenRE's Sustainable Design Awards 2018	
Mohd Sharif bin Hj Yusof	5 July 2018	Sustainability Engagement Series for Directors / Chief Executive Officers
	22 October 2018	Sales and Service Tax by PWC
Alvin Dim Lao	15–18 January 2018	D&L Industries Lao Family Workshop
	22–23 January 2018	JP Morgan Manila Conference, Philippines
	6–7 February 2018	DB Corporate Day, Hong Kong
	28 February–1 March 2018	UBS Manila Conference
	21–22 August 2018	Nomura Conference, Japan
	23–24 August 2018	Nomura Conference, Hong Kong
	3–4 September 2018	DB Philippine Corporate Day, London
	25 September 2018	JP Morgan Rising Dragon Conference, Singapore
	27 September 2018	JP Morgan Rising Dragon Conference, Hong Kong
	3–4 October 2018	Deutsche's Corporate Day, Philippines
	22 October 2018	Sales and Service Tax by PWC
8 November 2018	Corporate Governance	

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Director	Date	Events
Alex Lee Lao	15–18 January 2018	D&L Industries Lao Family Workshop
	8 November 2018	Corporate Governance
Jancis Anne Que Lao	15–18 January 2018	D&L Industries Lao Family Workshop
	22 October 2018	Sales and Service Tax by PWC

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 had discharged its duties in accordance with its Terms of Reference throughout FYE2018.

More details on how the Audit Committee had discharged its duties in FYE2018 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. The Audit Committee had evaluated the External Auditors of Axis-REIT in April 2018 in order to determine their independence, as well as their suitability for re-appointment. The assessment on suitability, objectivity and independence was carried out against criteria adopted by the Audit Committee, such as the adequacy and experience of the firm, its resources and the experience of the professional staff assigned to the audit of Axis-REIT.

Upon due assessment, the Audit Committee recommended to the Board the re-engagement of Messrs KPMG PLT as the External Auditors for Axis-REIT in respect of FYE2018 for onward recommendation to the Trustee of Axis-REIT for approval. The re-appointment of the External Auditors of Axis-REIT is not subject to the approval of the Unitholders of Axis-REIT.

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. 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.



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The internal audit function is outsourced to an independent consultancy firm, Baker Tilly Monteiro Heng Governance Sdn Bhd, that 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, and was satisfied that:

- The internal audit team members are free from any relationships or conflict of interest, which could impair their objectivity and independence;
- The assigned number of staff to handle the internal audit work is adequate, and the internal audit assignment is led by experienced employees of the outsourced internal audit firm, who are at least Assistant Managers and above in designation;
- 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 the Professional Practice of Internal Auditing;
- 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. The Manager also has in place a dedicated section for corporate governance on its 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.

Management has also implemented improvements to Axis-REIT's corporate website based on the guidance provided by Bursa Securities via the Issuers Communication – Corporate Website for Listed Issuers (ICN 1/2018) issued on 31 October 2018.

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 Investor Relations and Corporate Disclosure Policy ("IR & CD Policy") which is also accessible on Axis-REIT's corporate website. The IR & CD Policy, which was reviewed and updated in October 2018, sets the guidelines for effective communication channels, and sets the boundaries for the handling and management of confidential information. Pursuant to the updated IR & CD Policy, the CEO and the Chief Financial Officer are the designated primary spokespersons with all audiences, including Unitholders, press, analysts and potential investors.

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Further details on communication with Unitholders, the investing community, analysts and fund managers are covered in the Investor Relations Report contained in this Annual Report.



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 team of the Manager is tasked with undertaking the various marketing initiatives and activities.

More details on ARMB's efforts in engaging the various stakeholders are contained in the Marketing Report.



Annual General Meeting ("AGM") and Unitholders' Meeting

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 Sixth AGM of Axis-REIT was convened and held on 26 April 2018 with the AGM Notice being issued together with the 2017 Annual Report on 28 February 2018. Ample time was allocated to the Unitholders to read through the 2017 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 the financial year ended 31 December 2017, 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.

Two Ordinary Resolutions were tabled to Unitholders for approval at the Sixth AGM. The first was the Proposed Authority to allot and issue new units in Axis-REIT, and the second was the Proposed Renewal of the Income Distribution Reinvestment Plan Authority. Both Ordinary Resolutions were passed by Unitholders via a systemised polling exercise conducted at the AGM. Symphony Share Registrars Sdn Bhd was appointed as the poll administrator to conduct the polling process and Deloitte Enterprise Risk Services Sdn Bhd was the appointed independent scrutineer to verify the poll results. The voting results, which had been verified by the independent scrutineer, are contained in the summary of minutes of the Sixth AGM, which is available on Axis-REIT's corporate website.

Save for the AGM, there were no other Unitholders' meetings held in FYE2018.

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 FYE2018. This Statement has been tabled and approved by the Board of Directors on 22 January 2019.