

Corporate Governance

The Manager recognizes that an effective corporate governance culture is critical to its performance and consequently the success 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. In particular, the Manager has to act honestly, with due care and diligence, and in the best interest of the Unitholders of Axis-REIT.

The following sections describe the Manager's main corporate governance practices and policies. They are designed to ensure that applicable securities laws and regulations, the SC's Guidelines on REITs as well as SC's Guidelines on Islamic REITs, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Malaysian Code on Corporate Governance 2012 ("Code") are complied with, where applicable, and that the Manager's obligations as described in the Deed constituting Axis-REIT ("Deed") are properly and efficiently carried out.

The Manager of Axis-REIT

Axis REIT Managers Berhad is the appointed Manager of Axis-REIT in accordance with the terms of the Deed. The Deed outlines the functions and duties of the Manager as well as the circumstances under which the Manager can be retired.

As Axis-REIT is externally managed by the Manager, it has no employees. The Manager 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 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.

The primary role of the Manager is to set the strategic direction of the Fund and make recommendations to the Trustee of Axis-REIT on acquisitions, divestments and enhancements in line with the agreed strategy.

The Manager is also responsible for the risk management of the Fund.

Board of Directors

As at 31 December 2014, the Board comprises eight (8) members, where the Executive Deputy Chairman and the Non-Independent Non-Executive Director have each an alternate director and three (3) members of the Board are independent directors. Total Directors of the Manager including the alternate directors are ten (10) in number. The Board comprises a mixture of Executive and Non-Executive Directors from diverse professional backgrounds, enabling the Management to tap into their expertise and broad business experience in deliberating issues presented to the Board. The roles and responsibilities of the Board in discharging its fiduciary leadership functions are elaborated in the Board Charter which was adopted by the Board in 2012. The Board has made public its Board Charter on its corporate website and will review and update the charter in accordance with the needs of the Manager and any regulations that may have an impact on the discharge of the Board's responsibilities. The Board Charter has also set out the expectation on time commitment for its members and protocols for accepting new directorships.

The Board has formalised and committed to ethical values through its Code of Conduct and a summary of this code is available on its corporate website.

A Whistleblowing Policy was also adopted for the management of reports and claims filed in relation to suspected or presumed violations of the Code of Conduct, financial reporting and other malpractice. The policy reaffirms the Manager's commitment to safeguard those who report in good faith against any form of reprisal.

Board Meetings and Procedures

The Board met every quarter in the financial year ended 2014 ("FYE2014"). The key management officers of the Manager are invited to be present at the Board and Audit Committee meetings to discuss and approve the release of the quarterly and annual financial results, review acquisitions or disposals, the corporate plans and annual budget, capital management proposals, property reports, investor relations reports, performance of the Manager (including its related entities) and Axis-REIT against the previously approved budget and other proposals tabled by the Management.

All meeting dates are determined and fixed annually in advance so that all directors are able to schedule their time effectively. Notices of meetings setting out the agendas of the meetings are issued to all directors no less than seven (7) 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 the quarterly financial results of Axis-REIT, the Manager announces the targeted date for such release within two (2) weeks prior to each Board Meeting.

All members of the Board have access to all information in relation to the Manager and Axis-REIT because the Manager has established 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.

The Board is supported by professionally qualified and competent Company Secretaries ("Company Secretary"), who are responsible for ensuring that the Board meeting procedures, applicable rules and regulations are adhered to. The Company Secretary attended every board meeting in FYE2014. The Company Secretary also kept the Board abreast of all relevant regulatory updates to laws and requirements, where applicable.

Chairman and Chief Executive Officer ("CEO")/ Executive Director

The positions of Chairman and CEO/Executive Director 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 ensures that members of the Board work together with the Management in a constructive manner to address strategies, business operations, financial performance and risk management issues.

The CEO/Executive Director has full executive responsibilities over the execution of the agreed business policies and directions set by the Board and of all operational decisions in managing Axis-REIT.

Board Remuneration

The remuneration of the directors is paid by the Manager and not from the Fund. 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 has, through its Remuneration Committee in consultation with the Executive Committee, established transparent remuneration policies and procedures. The remuneration of the Board is aligned with the business strategy and long-term objectives of the Manager. The remuneration reflects the Board's responsibilities, expertise and complexity of the Manager's activities.

The Remuneration Committee, upon the proposal from the Executive Committee, recommends to the Board the remuneration package of the directors and it is the responsibility of the Board as a whole to approve the remuneration package of the directors.

The remuneration of Executive and Non-Executive Directors for FYE2014 is as follows:

	Salaries and other Emoluments (RM)	Directors' Fee (RM)	Meeting Attendance Allowance (RM)	Executive Committee Allowance (RM)	Benefits in Kind (RM)	Total (RM)
Executive Directors	2,288,897	228,000	23,000	60,000	35,050	2,634,947
Non-Executive Directors	-	390,000	57,000	60,000	-	507,000

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

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Board Committees and their Roles

The Board has established the following committees to assist in discharging its duties. These are:

- Executive Committee;
- Audit Committee;
- Remuneration Committee;
- Nomination Committee.

Executive Committee

The Executive Committee operates under the delegated authority from the Board.

This committee oversees the day-to-day activities of the Manager and Axis-REIT on behalf of the Board which includes:

- Making recommendations to the Board on all acquisitions, investments and disposals;
- Making recommendations to the Board on any financing offers, capital management proposals and additional banking facilities;
- Reporting and recommending to the Board any corporate exercise, including the issuance of new Axis-REIT units;
- Making recommendations to the Board on financial budgets; and
- Forwarding summary reports on activities undertaken by the Manager and minutes of Executive Committee meetings to all Audit Committee and/or Board members, where applicable.

Audit Committee

The Board has an overall responsibility in ensuring that a balanced and understandable assessment of Axis-REIT's positions and prospects are presented to the investing public. The Audit Committee plays an important role in assisting the Board in this area. The Audit Committee ensures financial statements comply with applicable reporting standards. It also assists the Board in the area of internal controls, risk management and governance processes of Axis-REIT and the Manager. The Audit Committee Report, which contains the details on internal audit function and activities carried out during the FYE2014, is set out as a separate section of this Annual Report.

Further details on risk management are set out in the Risk Management section below and details on the internal audit function are contained in the Statement on Risk Management and Internal Control.

The assessment of the External Auditors for re-engagement is an annual affair for the Manager. The Audit Committee had evaluated the External Auditors of Axis-REIT during the FYE2014 in order to determine their suitability for re-appointment and independence. The assessment was carried out against criteria adopted by the Audit Committee and the Audit Committee recommended the re-engagement of Messrs KPMG as the External Auditors for Axis-REIT in respect of FYE2014. The Audit Committee also met independently twice in 2014 with the external auditors without the presence of Executive Board and key management officers.

Remuneration Committee

The Remuneration Committee is responsible for recommending to the Board the policy framework on terms of employment and on all elements of the remuneration of the Executive and Non-Executive Directors of the Board, key management officers (if any) and reviewing changes to the remuneration policy from time to time, so as to ensure that the Manager attracts and retains individuals of the highest calibre. As the directors of the Manager are remunerated by the Manager itself and not by the Fund, the Executive Committee of the Manager plays an important role in proposing to the Remuneration Committee the respective remuneration packages, including, but not limited to, bonuses, incentives and units option (if applicable), taking into consideration, among others, the level of performance against agreed targets. All proposals presented by the Executive Committee are considered carefully, drawing from outside advice as necessary.

During the year under review, the Remuneration Committee reviewed the remuneration packages of the Directors, including the CEO and the then Chief Financial Officer/Executive Director, based on the proposals presented by the Executive Committee, and made recommendations to the Board accordingly.

Nomination Committee

The responsibilities of the Nomination Committee are:

- To recommend to the Board, candidates for directorships proposed by the Executive Committee, any Board members, shareholders of the Manager or Unitholders, where applicable;
- To recommend to the Board, any director(s) to fill seats on Board committees;
- To assess the effectiveness of the Board as a whole, Board committees and the contribution of each individual director;
- To determine appropriate training for directors and review the fulfilment of such training, where appropriate.

The Nomination Committee had, during the FYE2014, carried out the following activities:

- Reviewed the performance evaluation on the Board, directors and Board Committees and the results of the evaluation have been properly documented by the Company Secretary of the Manager.
- Reviewed the existing recruitment criteria of the Manager and proposed no amendments thereto.
- Reviewed the criteria for annual assessment of Directors including assessment of independence and proposed no amendments thereto.
- Established the criteria for the assessment of a director whose tenure exceeds nine (9) years in year 2015. Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor would be the first Independent Director out of the three (3) Independent Directors, whose tenure as Independent Director shall exceed nine (9) years in year 2015. The Manager has adopted the best practice as recommended under the Code to subject the affected Independent Director to assessment by the Board for recommendation to the sole shareholder of the Manager at the Manager's 2015 annual general meeting for retention as Independent Director. The Board had satisfactorily made the recommendation.
- Reviewed the proposed promotion of Ms Leong Kit May from Chief Financial Officer/Executive Director to Acting Chief Operating Officer/Director of Finance as part of the succession plans of the Manager.
- Reviewed the proposed appointment of a new alternate director to Mr Alvin Dim Lao, Ms Jancis Anne Que Lao against the recruitment criteria established.
- Reviewed the composition of the Board and the Manager as a whole and was satisfied that there is an adequate support of female representation both at board and senior management levels.

The Board also undertook an annual assessment of the independence of its three (3) independent directors based on the independence criteria developed by the Nomination Committee. The three (3) independent directors of the Manager had confirmed in writing to the Board their independence.

Board of Directors and Meeting Attendance

As of 31 December 2014, the Board comprised of eight (8) members, three (3) of whom are independent directors in compliance with the SC's Guidelines on REITs. The Executive Deputy Chairman and the Non-Independent Non-Executive Director have each an Alternate Director.

Directors	Designation	Attendance (No. of meetings held : 4)	Remarks
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Independent Non-Executive Chairman	4/4	No Change
Dato' Abas Carl Gunnar Bin Abdullah (Alternate Director: Alex Lee Lao)	Non-Independent Executive Deputy Chairman	3/4	No Change
Dato' George Stewart LaBrooy	Chief Executive Officer/ Executive Director	4/4	No Change
Stephen Tew Peng Hwee	Non-Independent Non-Executive Director	4/4	No Change
Y Bhg Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Independent Non-Executive Director	4/4	No Change
Mohd Sharif Bin Hj Yusof	Senior Independent Non-Executive Director	4/4	No Change
Leong Kit May*	Acting Chief Operating Officer/Director of Finance	4/4	Promoted on 4 August 2014
Alvin Dim Lao (Alternate Director: Jancis Anne Que Lao)	Non-Independent Non-Executive Director	3/4	Appointed an Alternate Director on 20 October 2014

* Redesignated to Chief Operating Officer / Finance Director on 19 January 2015.

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Executive Committee and Meeting Attendance

Members	Designation	Attendance (No. of meetings held : 6)	Remarks
Dato' Abas Carl Gunnar Bin Abdullah (Alternate Director: Alex Lee Lao)	Chairman	6/6	No Change
Dato' George Stewart LaBrooy	Member	6/6	No Change
Stephen Tew Peng Hwee	Member	6/6	No Change
Leong Kit May	Member	6/6	Became a member in August 2014

Audit Committee and Meeting Attendance

Members	Designation	Attendance (No. of meetings held : 5)	Remarks
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Chairman	5/5	No Change
Mohd Sharif Bin Hj Yusof	Member	5/5	No Change
Alvin Dim Lao (Alternate Director: Jancis Anne Que Lao)	Member	4/5	Appointed an Alternate Director on 20 October 2014

Remuneration Committee and Meeting Attendance

Members	Designation	Attendance (No. of meetings held : 1)	Remarks
Y Bhg Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Chairman	1/1	No Change
Dato' Abas Carl Gunnar Bin Abdullah (Alternate Director: Alex Lee Lao)	Member	1/1	No Change
Stephen Tew Peng Hwee	Member	1/1	No Change

Nomination Committee and Meeting Attendance

Members	Designation	Attendance (No. of meetings held : 2)	Remarks
Mohd Sharif bin Hj Yusof	Chairman	2/2	No Change
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Member	2/2	No Change
Y Bhg Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Member	2/2	No Change

Directors' Training

The Board ensures its members have access to appropriate continuing education programmes to update their knowledge and enhance their skills to sustain their active participation in Board deliberations. The Board had at every meeting received a list of training available for selection. Details of training attended by directors were also reported to the meetings and recorded accordingly. In-house training was also organized for all the directors on 'Personal Data Protection Act 2010' in October 2014.

All the directors of the Manager have attended training during FYE2014 in compliance with the Listing Requirements of Bursa Securities. Some of the Directors had been invited to participate as speakers and presented talks at conferences and seminars. The details are as follows:

Directors	Events
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	<ul style="list-style-type: none"> • Common Breaches of the Listing Requirements with Case Study • Personal Data Protection Act 2010
Dato' Abas Carl Gunnar Bin Abdullah	<ul style="list-style-type: none"> • Personal Data Protection Act 2010
Dato' George Stewart LaBrooy	<ul style="list-style-type: none"> • Industrial Market Outlook and Performance for Year 2014 • Location, location, location : Selection of sites for industrial estates and business parks • APREA Property Leaders Forum 2014 - Hong Kong • Star Property Fair 2014 • Predicting Financial Crisis • Motivations and Strategies for Venture Capitals & Private Equities • Commercial and Industrial Property Outlook : Where is the Market Heading? • Personal Data Protection Act 2010 • Improving Product Diversity and Innovation in Islamic Funds - London
Stephen Tew Peng Hwee	<ul style="list-style-type: none"> • Innovative Solutions in a Challenging Market Ideas that Work • Personal Data Protection Act 2010
Y Bhg Datuk Seri Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	<ul style="list-style-type: none"> • ASLI National Economic Summit & Dialogue • ASLI Greater KL & Smart City Conference • Maybank IB Roadshow 2014, Singapore • ASLI 17th National Housing & Property Summit • Invest Malaysia 2014 – London • Workshop by Minority Shareholder Watchdog • KPMG's 15th Global Real Estate & Construction Conference, Singapore • 24th National Real Estate Convention – Issues, Perceptions & Review by PEPS
Alvin Dim Lao	<ul style="list-style-type: none"> • Personal Data Protection Act 2010 • Corporate Governance Seminar
Mohd Sharif bin Hj Yusof	<ul style="list-style-type: none"> • Personal Data Protection Act 2010
Leong Kit May	<ul style="list-style-type: none"> • Technical Briefing for Company Secretaries of Listed Issuers • Common Offences under the Companies Act, 1965 • Valuation of Companies and Common Pitfalls in Mergers and Acquisitions • Overview of ESG Index and Industry Classification Benchmark • Corporate Counsel Day 2014 • CFO Dialogue 2014 : The Cutting Edge CFO • Personal Data Protection Act 2010 • SC Industry briefing
Alex Lee Lao	<ul style="list-style-type: none"> • Corporate Governance Seminar
Jancis Anne Que Lao*	<ul style="list-style-type: none"> • Corporate Governance Seminar

* Jancis Anne Que Lao has completed her Mandatory Accreditation Programme on 14-15 January 2015.

Disclosure and Communication with Unitholders

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 the Bursa Securities website and through its own website at www.axis-reit.com.my as well as through press releases, analyst briefings and retail roadshows.

The Board has taken steps to promote effective communication and proactive engagements with Unitholders at the Unitholders' meetings to provide a better appreciation of the Manager's objectives and quality of its management and challenges, while also making the Manager aware of the expectations and concerns of the Unitholders.

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The Board has also encouraged the Manager to leverage on information technology for effective dissemination of information by having in place a dedicated section for corporate governance on its corporate website. This section provides information such as the Board Charter, Code of Conduct, Whistleblowing Policy and Unitholders' voting rights. Further information is on the web site www.axis-reit.com.my.

Further details on communication with Unitholders, analysts and fund managers will be covered under the section on Investor Relations.

Annual General Meeting (AGM) and Unitholders' Meeting

The Manager had in FYE2014 convened and held its second AGM in compliance with the requirements under the SC's Guidelines on REITs. At the AGM, the Manager updated all Unitholders present with the performance, activities, progress and prospects of Axis-REIT. Immediately after the AGM, the Unitholders also attended the Unitholders' Meeting which was convened and held to seek Unitholders' approval for corporate exercises of Axis-REIT.

The Board encouraged Unitholders' participation at both the meetings and active engagement took place. The Board also demonstrated its commitment to the Unitholders by informing them of their rights to demand for poll at the commencement of each meeting. At both the AGM and the Unitholders' Meeting, the Board provides opportunities to shareholders to raise questions pertaining to the business activities of Axis-REIT.

During FYE2014, another Unitholders' Meeting was held on 19 November 2014 to seek Unitholders' approval for the proposed related party acquisitions of Axis-REIT where active deliberation had taken place with unanimous approval being obtained from the Unitholders.

Risk Management

Effective risk management is a fundamental part of the Manager's business strategy in order to ensure there are no adverse disruptions to the income distribution and to mitigate any potential loss which may impact negatively upon all the Unitholders so as to preserve their investments. Risk management has been part of the Manager's day-to-day operations and the Operations Manual provides an overview of the Manager's responsibilities and guidance in relation to the management of Axis-REIT to ensure consistency of operational procedures and practices within the organization.

The Manager had formulated and developed the Risk Management Framework and put in place a Risk Register where key risk profiles were established and updated periodically for reporting to the Audit Committee.

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