

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5176
COMPANY NAME : Sunway Real Estate Investment Trust
FINANCIAL YEAR : 30 June 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	: Applied
Explanation on application of the practice	<p>The Board of Directors of Sunway REIT Management Sdn Bhd (the "REIT Manager") ("Board") is responsible for good corporate governance culture within Sunway Real Estate Investment Trust ("Sunway REIT"). In addition, it formulates Sunway REIT's strategic direction, core values and reviews management performance of the REIT Manager to ensure that it operates with integrity and in compliance with all the applicable laws, rules and regulations.</p> <p>Being the REIT Manager for Sunway REIT, the Board is:</p> <ul style="list-style-type: none">(i) ultimately responsible and accountable for managing, governing, guiding and monitoring the direction of Sunway REIT with the objective of enhancing long term sustainable value creation to the stakeholders and delivering sustainable distribution and growth;(ii) responsible for setting the growth strategies of Sunway REIT and mapping the strategic plans, which are reviewed on a regular basis;(iii) responsible for monitoring the Management's performances against approved key performance indicators ("KPIs") towards achieving the overall strategic objectives and targets of Sunway REIT; and(iv) unreservedly committed to applying the principles and best practices of good governance to the fullest extent where practicable. <p>The Board has established the following committees to assist in discharging its duties and responsibilities. However, it bears ultimate responsibility for Sunway REIT's performances and core values:</p> <ul style="list-style-type: none">(i) Audit Committee ("AC");(ii) Nomination and Remuneration Committee ("NRC"); and(iii) Risk Management Committee ("RMC"). <p>The Committees shall operate within clearly defined written terms of reference ("TOR") as approved by the Board. The approved TOR of the respective Board Committees are available for reference at Sunway REIT's website at https://www.sunwayreit.com.</p>

The Board assumes, amongst others, the following principal roles and responsibilities in discharging its stewardship role, and fiduciary and leadership functions:

- (a) reviewing and adopting a strategic plan for Sunway REIT with a view to maximising the unitholders' value;

The REIT Manager has in place an annual 1-day Board meeting, whereby the Management Team, facilities management team and the hotel operators present to the Board their recommended strategy, proposed strategic business plans and budget of the respective properties for the upcoming financial year.

At the Board meeting held on 4 May 2017, the Board reviewed and deliberated on the proposed annual business plan and budget for each of Sunway REIT's properties for the financial year ended 30 June 2018 ("FY2018"). At the meeting, the Board challenged the Management Team's views and business plan assumptions. The Board provided its guidance and feedback on the proposals presented for the Management to further refine its plan before presenting the same to the Board for approval. The Board also ensures Management take into consideration the varying opportunities and business risks whilst developing the strategic business plan.

The proposed strategic business plan and the proposed budget for Sunway REIT and for each of its properties for FY2018 were subsequently approved by the Board for implementation and monitoring.

In addition, the REIT Manager had organised a strategy planning workshop to craft the long term strategic direction and goals for Sunway REIT up to financial year 2025. The 2-day strategy planning workshop was held on 30 June 2018 and 1 July 2018 ("**Strategy Planning Workshop**"). The Board and Management had intensive brain storming to formulate long term growth strategies. Key experts and researchers from Monash University were engaged to provide the Board and the Management Team a Global Macro-perspective of the REITs industry. The presentation included comparison of the major REIT regimes around the world, emerging trends in real estate, retail, office, healthcare market-spaces as well as its implications on Sunway REIT.

- (b) overseeing and evaluating the conduct and performance of Sunway REIT's business against budgets;

The Chief Executive Officer of the REIT Manager ("**CEO**"), with the support of the Management Team, has overall responsibility for the day-to-day management of the business and operation of Sunway REIT as well as the implementation of the Board's policies, directives, strategies and decisions.

On a quarterly basis, the CEO, together with the Chief Financial Officer of the REIT Manager (“**CFO**”), reviewed the key financial performance metrics against approved budgets with both the AC and the Board and highlights concerns and issues, if any, faced by Sunway REIT. The actual performance of Sunway REIT was assessed on a quarterly basis against the approved FY2018 budget, the results of the corresponding quarter of FY2017 and the immediate preceding quarter. Significant variances and accompanying explanations were reported by the Management to the AC and the Board.

Besides this, the Board were also informed by the Management of key initiatives and significant operational issues. A summary of the performance of each properties was also provided to the Board.

A total of 6 Board meetings and 5 AC meetings were held during the year under review, which were held on the following dates:

- (i) Board meetings - 10 August 2017, 25 October 2017, 31 October 2017, 6 February 2018, 3 May 2018 and 4 June 2018; and
- (ii) AC meetings – 10 August 2017, 31 October 2017, 6 February 2018, 3 May 2018 and 4 June 2018.

- (c) identifying principal risks of Sunway REIT and ensuring the implementation of appropriate internal controls and mitigation measures to manage these risks;

The Board, through the RMC sets risk tolerance levels, objectives, performance targets and policies to manage the key risks faced by Sunway REIT. A risk management framework is in place to enable the RMC to identify, assess, mitigate and monitor the risks faced by Sunway REIT. The RMC reviews and comments on the risk management report which identified several principal risks of Sunway REIT and the action plans to manage or mitigate the said risks on a half-yearly basis

The main features of the risk management framework and internal controls system are set out in the Statement of Risk Management and Internal Control in the 2018 Annual Report of Sunway REIT.

- (d) ensuring the adequacy and the integrity of the management information and internal control systems of Sunway REIT;

Through the AC, the Board oversees the management information, risk management and internal control systems of Sunway REIT. The AC is assisted by the Internal Audit Department (“**IAD**”) in reviewing and monitoring the adequacy and integrity of internal controls system. The Head of IAD, at the AC’s quarterly meetings, reported the audit findings arising from the internal audit activities conducted by her team. The AC then deliberated on the

actions taken by the Management to address the issues highlighted in the audit findings.

Thereafter, the minutes of the AC meetings were presented to the Board at its meetings. The Chairman of the AC reported to the Board on all the internal control related matters and recommendations deliberated by the AC at the subsequent Board meeting.

- (e) considering and approving the Management's recommendations on assets acquisitions and divestments, funding options, asset enhancement initiatives, property development activities and capital expenditures;

The Board considers and deliberates on Management's proposals before their implementation. Management updates the Board on the progress of the proposals at subsequent Board meetings.

During the financial year under review, the Board had deliberated and approved the following Sunway REIT's corporate proposals:

- (i) acquisition of Sunway Clio property for a purchase consideration of RM340 million;
- (ii) capital expenditure for the expansion of Sunway Carnival Shopping Mall;
- (iii) acceptance of a new 1-year Revolving Financing-i facility of up to USD100 million from HSBC Amanah Malaysia Berhad;
- (iv) proposed amendments to the deed dated 20 May 2010 and the supplemental deed dated 10 June 2010 ("**Deed**") entered into between the REIT Manager and RHB Trustees Berhad ("**Trustee**") constituting Sunway REIT, among others, to conform to the Guidelines on Listed Real Estate Investment Trusts ("**Listed REITs Guidelines**") issued by the Securities Commission Malaysia ("**SC**") and the relevant provisions of the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"); and
- (v) reduction of the Trustee's fee from 0.030% to 0.015% per annum of net asset value of Sunway REIT and the fee is subject to a maximum of RM700,000.00 per annum.

The Board actively participated in the discussions and provided constructive comments and recommendations to the Management on each proposal.

- (f) monitoring and keeping up to date with the changes to regulations, policies, guidelines and accounting policies;

The Board was briefed on any changes to current practices at the quarterly Board meetings. The Board took note of the:

- (i) new Listed REITs Guidelines issued by the SC on 15 March 2018;

- (ii) amendments to the MMLR arising from the new provisions in the Companies Act 2016 (“**CA 2016**”), corporate governance requirements and collective investment scheme;
- (iii) guidance, communication notes and directives issued by Bursa Securities;
- (iv) enforcement of the Corporate Rescue Mechanism under Division 8, Part III of the CA 2016; and
- (v) corporate liability provision in the Malaysian Anti-Corruption Commission Act 2009.

The Board took cognisance of the Malaysian Code of Corporate Governance 2017 (“**MCCG 2017**”) which was released on 26 April 2017 and has disclosed the required information to the extent practicable in the 2018 Annual Report of Sunway REIT.

- (g) overseeing Management’s performance and ensuring a sound succession plan for key positions within the REIT Manager;

The Board, through the NRC, developed and agreed on the CEO and CFO’s performance scorecard based on the strategic objectives, targeted growth in assets size, financial budgets and financial performance targets which were aligned to Sunway REIT’s target and strategic business plan set by the Board. Subsequently, the NRC evaluated the performance of the CEO and CFO against the approved KPIs or initiatives as set out in their scorecards at the end of each financial year. The NRC provided the Board with its recommendation for the CEO and CFO’s performance evaluation at the end of the financial year, for decision.

The Board, through the NRC, oversees the management succession planning. In discharging its responsibility on succession planning, the NRC and the Board keep track of the succession plan for key management positions. At the NRC meeting held on 3 May 2018, the Group Human Resources (“**Group HR**”) Director presented the succession planning for the CEO and CFO and gave her assurance that all talents identified for Senior Management positions were of sufficient calibre. The Board was satisfied that there were programmes in place to provide for the orderly succession of Senior Management.

- (h) overseeing the development and implementation of the investor relations and unitholder communications policy for Sunway REIT; and
- (i) ensuring sustainable business growth in order to create sustainable long term value creation.

The Board is cognisant of the importance of business sustainability. In managing Sunway REIT’s business, the Board takes into consideration its impact on the environment and society in general. Balancing the environment, social and governance aspects with the

	<p>interest of various stakeholders is essential to enhancing investor and public trust.</p> <p>The Board is committed in making a positive impact on the local communities where Sunway REIT has a presence and believes that through the implementation of sustainability best practices, it will create sustainable long-term value creation for Sunway REIT.</p> <p>The REIT Manager has established a Sustainability Working Group to oversee, monitor and report all Corporate and Social Responsibility as well as business sustainability initiatives undertaken by the REIT Manager to the Board. The Board continues to ensure that Sunway REIT remains steadfast in its efforts to ensure sustainability.</p> <p>Details of the sustainability practices of Sunway REIT are as set out in the Sustainability Statement in the 2018 Annual Report of Sunway REIT.</p> <p>The Board operates under a Board Charter, which establishes a formal schedule of matters and outlines the types of information required for the Board’s attention and deliberation at the Board meetings. The Board Charter is available on Sunway REIT’s website at https://www.sunwayreit.com.</p>
Explanation for departure	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	-
Timeframe	-

Intended Outcome

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

Practice 1.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is led by its Independent Non-Executive Chairman, Tan Sri Ahmad Bin Mohd Don. He is primarily responsible for setting a clear tone at the top and managing the Board’s effectiveness by focusing on strategy, governance and compliance matters of Sunway REIT.</p> <p>The role and responsibilities of the Chairman of the Board has been clearly defined in the Board Charter of the REIT Manager, which is available on Sunway REIT’s website at https://www.sunwayreit.com, amongst others, are as follows:</p> <ul style="list-style-type: none"> (i) instill good corporate governance practices, leadership and effectiveness of the Board; (ii) provide leadership for the Board so that the Board can perform its responsibilities effectively; (iii) set the board agenda for each meeting and ensures that Board members receive complete and accurate information in a timely manner; (iv) lead Board meetings and discussions to ensure efficient conduct of the Board’s function and meetings; (v) encourage active participation and allow dissenting views to be freely expressed; (vi) manage the interface between the Board and Management and promote constructive and respectful relations between Directors; (vii) ensure appropriate steps are taken to provide effective communication with unitholders and stakeholders and that their views are communicated to the Board as a whole; and (viii) lead the Board in establishing and monitoring good corporate governance practices in Sunway REIT. <p>Based on the results of the annual Director’s Peer Evaluation, the Board was satisfied that:</p> <ul style="list-style-type: none"> (i) the Chairman was effective in leading the Board and has good working relationship with the CEO; and (ii) the Directors and Management have sufficient access to the Chairman.
Explanation for departure	:	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	-
Timeframe	:	-

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>The positions of Chairman and CEO of the REIT Manager are held by 2 different individuals. The Board is led by Tan Sri Ahmad Bin Mohd Don, who is the primary person setting a clear tone at the top and managing the Board’s effectiveness by focusing on strategy, governance and compliance matters of Sunway REIT, while the CEO, Dato’ Jeffrey Ng Tiong Lip, with the support of the Management Team, spearheads the business and day-to-day management of the business and operations of Sunway REIT. This crucial partnership dictates the long-term success of Sunway REIT.</p> <p>Based on the annual Board Effectiveness Evaluation survey, the performances of the Chairman and the CEO were rated excellent.</p> <p>The division of the role and responsibilities of the Chairman and the CEO has been clearly defined in the Board Charter of the REIT Manager, which is available on Sunway REIT’s website at https://www.sunwayreit.com.</p>
Explanation for departure	:	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	-
Timeframe	:	-

Intended Outcome

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

Practice 1.4

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supported by 2 Company Secretaries. Both of them are qualified to act as Secretary of the REIT Manager under Section 235 of the CA 2016. Both of them are Associate members of the Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”).</p> <p>The Board has full and unrestricted access to the advice and dedicated support services of the Company Secretaries to enable it to discharge their duties effectively.</p> <p>During the FY2018, the Company Secretaries:</p> <ul style="list-style-type: none">(i) prepared and circulated the annual meeting calendar in advance of FY2018;(ii) managed the logistics of all Board and Board Committees' meetings and responsible for the proper conduct of the meetings according to the applicable rules and regulations;(iii) attended all Board, Board Committees and general meetings held. All deliberations at the meetings in arriving at the decisions and conclusions were properly recorded by way of minutes of meetings and subsequently communicated to the Management Team for their onward actions, if any;(iv) constantly keep themselves updated of the regulatory changes and corporate governance developments by attending workshops, conferences and training programmes organised by MAICSA, the SC, Companies Commission of Malaysia, Bursa Securities, etc.;(v) advised the Board on corporate disclosures, governance and compliance matters;(vi) facilitated the training and professional development programmes for all Directors, as required;(vii) monitored the number of directorships held by each Director to ensure compliance at all times. The list of directorships of each Director was updated regularly and was tabled for the notation of the Board on a quarterly basis;(viii) facilitated the annual performance evaluation surveys of the Board, Board Committees, internal and external auditors;(ix) updated and advice the Board on new statutes, regulations and directives issued by regulatory authorities in carrying out its roles and responsibilities effectively;(x) monitored the development of corporate governance and assisted the Board in applying best practices to meet the Board and stakeholders' expectation. In August 2017, the Company Secretary presented Sunway REIT's gap analysis in respect to the level of compliance with the MCCG 2017

	<p>for the Board's decisions to further enhance the adherence to the best practices of corporate governance;</p> <p>(xi) played an important role in ensuring that the due processes and proceeding for the 5th Annual General Meeting (“AGM”) of Sunway REIT and Extraordinary General Meeting (“EGM 2017”) held on 25 October 2017 were in place. In collaboration with the Share Registrar, the appointed poll administrator and an external independent scrutineer implemented an electronic polling system at the 5th AGM and EGM 2017. During the meetings, the Company Secretaries assisted the Chairman and the Board to conduct the meetings and the meeting proceedings were properly recorded in particular the questions raised by the unitholders. A copy each of the Minutes of 5th AGM and EGM 2017 was published on Sunway REIT's website at https://www.sunwayreit.com; and</p> <p>(xii) briefed the Board on the following developments in regulations and laws:</p> <ul style="list-style-type: none"> (a) MCCG 2017 which was released on 26 April 2017; (b) Bursa Issuers Communication No. 1/2017 – Guidance on Disclosure in Notes to Quarterly Report; (c) Bursa Issuers Communication No. 2/2017 – Bursa Malaysia's Enforcement/Disciplinary Proceeding and Processes; (d) Bursa Issuers Communication No. 3/2017 – Guidance on Disclosures relating to Material Contracts and Selective Disclosures of Material Information; (e) amendments to the MMLR arising from the new provisions in the CA 2016 and new corporate governance requirements; (f) new Listed REITs Guidelines issued by the SC; (g) amendments to MMLR in relation to collective investment scheme; (h) enforcement of the Corporate Rescue Mechanism under Division 8, Part III of the CA 2016; and (i) corporate liability provision in the Malaysian Anti-Corruption Commission Act 2009. <p>Based on the annual Board Effectiveness Evaluation, the Board was satisfied with the support rendered by the Company Secretaries in discharging their functions.</p> <p>The Directors are also assisted by a Compliance Officer, who reports directly to the Board. The designated Compliance Officer is to ensure compliance with the Deed, MMLR and all applicable SC guidelines and securities laws relating to Sunway REIT.</p>
Explanation for departure	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	-
Timeframe	-

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>The schedules of meetings of the Board and its Committees as well as the AGM are prepared and circulated to the Board before the beginning of the year to facilitate the Directors in planning ahead. Special meetings of the Board and its Committees are convened between the scheduled meetings as and when required. The schedule of pre-planned meetings of the Board and Board Committees, AGM as well as closed period for dealing in Sunway REIT’s units by Directors and Principal Officers of the REIT Manager are uploaded onto the Directors’ electronic devices.</p> <p>The Board is supplied with quality and timely information, which allows it to discharge its responsibilities effectively and efficiently. Notices and agenda of meetings duly endorsed by the Chairman together with a set of comprehensive meeting papers for each agenda item are distributed to the Directors at least 1 week or 5 business days prior to the meeting, to enable the Board sufficient time to review the matters to be deliberated and to allow for effective discussion and decision making during the meeting.</p> <p>Every Director has full, free and unrestricted access to information of the REIT Manager and Sunway REIT. Where required, the Board and its Committees are provided with external independent professional advice with the cost borne by the REIT Manager. The Board may also seek advice from the Management or request further explanation, information or update on any aspect of Sunway REIT’s operations or business concerns.</p> <p>As part of Sunway REIT’s green initiatives, the REIT Manager has implemented paperless meetings where meeting papers are uploaded onto a secure platform and is accessible via laptop, tablet devices and mobile phone. The Directors are able to download and have access to the electronic meeting papers conveniently and immediately wherever they may be. The meeting papers include inter alia, financial results, business plan and budget, progress development report, risk management and internal control reports, minutes of meetings of the Board and Board Committees and regulatory/statutory updates are provided for the Board’s information.</p> <p>All Directors’ Circular Resolutions are approved using electronic means resulting in efficient and timely Board decision and facilitating speedy management implementation.</p>

	<p>Upon conclusion of each meeting, the minutes of meetings will be circulated for comments and for follow-up actions by the Management within 2 weeks from the date of meeting.</p> <p>Upon confirmation by the Board or Board Committees at the following meetings, the minutes will be signed by the Chairman of the said meeting as a correct record of the proceedings of the meeting. Actionable items would be recorded in the minutes as matters arising until they are eventually resolved.</p>	
Explanation for departure	-	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	-	
Timeframe	-	

Intended Outcome

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

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

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company’s website. The board charter clearly identifies–

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

Application	: Applied
Explanation on application of the practice	<p>The Board has established clear functions reserved for the Board and those delegated to the Board Committees, CEO and Management. The Board operates under a Board Charter, a primary source of reference and induction literature that guides the governance and conduct of the Board in managing Sunway REIT. It sets out among others, the Board’s strategic intent, role and responsibilities, board composition, operation and procedures of the Board toward the management of Sunway REIT.</p> <p>To ensure the effective discharge of its functions and responsibilities, the Board has delegated specific responsibilities to the relevant Board Committees, CEO and Management through a clear and formally defined written TOR and policies and procedures, which are the primary instruments that govern and manage the decision-making process for Sunway REIT. The Board Charter and TOR are continuously reviewed and updated to ensure their relevance to Sunway REIT’s operations as well as for compliance with legislation and governance standards.</p> <p>The Board has established 3 committees of the Board, namely the AC, the NRC and the RMC, which operate within clearly defined written TOR. The Board Committees deliberate issues on a broad and in-depth basis before putting up any recommendation to the Board for decision. Notwithstanding the existence of the Board Committees and the relevant authorities granted to a Committee under its TOR, ultimate responsibility for the affairs of Sunway REIT and decision-making lies with the Board.</p> <p>The Board keeps itself abreast of the significant matters and resolutions deliberated by each Board Committee through the reports by the Chairman of the relevant Board Committees and the tabling of the minutes of the Board Committee meetings and circular resolutions passed by each Board Committee at the immediate subsequent Board meeting.</p> <p>The Board Charter is available on Sunway REIT’s website at http://www.sunwayreit.com.</p>
Explanation for departure	: -

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure	:	-	
Timeframe	:	-	

Intended Outcome

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

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

Practice 3.1

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

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

Application	: Applied
Explanation on application of the practice	<p>In discharging its duties and responsibilities, the Board is also guided by the Code of Conduct and Business Ethics Policy (“Code”) of the REIT Manager which provides the framework to ensure that the REIT Manager conduct itself in compliance with applicable laws and ethical values.</p> <p>The Board and all employees of the REIT Manager are committed to adhering to best practices in corporate governance and observing the highest standards of integrity and behaviour in all activities conducted by the REIT Manager, including the interaction with its customers, suppliers, employees and business partners, and within the community and environment in which the REIT Manager and Sunway REIT operate.</p> <p>The Board ensures that compliance is monitored through a confirmation of compliance declaration process where all employees of the REIT Manager are required by the Group HR to read and sign off their commitment in adhering to the Code at all times during their services with the REIT Manager. This serves to drive organisational culture and continuing awareness amongst the employees of the need to understand, develop and maintain a value-based culture beyond mere compliance.</p> <p>In line with good corporate governance practices, the Management and the Board encourage all employees and stakeholders of the REIT Manager to report suspected inappropriate behaviour or misconduct relating to fraud, corrupt practices and/or abuses involving Sunway REIT’s resources. Employees are encouraged to report concerns of violation of the Code through the REIT Manager’s existing Whistleblowing Policy. No individual will be discriminated or suffer any act of retaliation for reporting in good faith.</p> <p>The appropriateness and effectiveness of the Code are continuously monitored and appropriate agreed improvements and reporting procedures will be adopted where necessary to ensure it remains relevant and appropriate. The Code is available on Sunway REIT’s website at https://www.sunwayreit.com.</p>
Explanation for departure	: -

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	-
Timeframe	:	-

Intended Outcome

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

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

Practice 3.2

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

Application	: Applied
Explanation on application of the practice	<p>The REIT Manager is also committed to openness, probity and accountability. An important aspect of accountability and transparency is the existence of a mechanism to enable employees of the REIT Manager to voice their concerns in a responsible and effective manner. It is a fundamental term of every contract of employment that an employee will faithfully serve his employer and not disclose confidential information about the employers’ affairs. Nevertheless, where an individual discovers information which he believes shows serious malpractice or wrongdoing within the organisation, there should be internal mechanisms to enable him to safely report, in good faith, on any suspected breaches of the law or company procedure that has come to his notice.</p> <p>To address this concern, the REIT Manager has formalised and established a Whistleblowing Policy and Procedures, to provide a mechanism for all level of its employees and stakeholders of Sunway REIT to report concerns about any suspected wrongdoing, inappropriate behaviour or misconduct relating to fraud, corrupt practices and/or abuse in a safe and confidential manner, thereby ensuring that employees may raise concerns without fear of reprisals.</p> <p>The AC, the CEO and the IAD have also been tasked by the Board to oversee the functioning of the Whistleblowing Policy and Procedures, whilst duties relating to the day-to-day administration of the policy are performed by the Head of IAD.</p> <p>The Whistleblowing Policy and Procedures is subject to periodic assessment and review to ensure that it remains relevant to the Group’s changing business circumstances. The REIT Manager has also put in safeguards to protect the identity of the Whistleblower to encourage its employees, and indeed anyone else, to report any breach or reasonably suspected wrongful malpractices or act without fear of reprisal so that the problem can be identified at an early stage and resolved quickly.</p> <p>The whistleblowing procedure is intended to be used as an ultimate remedy, if no other means are available to address the matter. For the employees, if they wish to raise a specific concern, they are encouraged to try to solve the matter through existing procedures and discuss the matter first with their line supervisor(s)</p>

	<p>or head of department or profit centre manager before initiating the whistleblowing procedure.</p> <p>Any employee or member of the public who has knowledge or is aware of any improper conduct within Sunway REIT is encouraged to disclose through the following reporting channels:</p> <p>Whistleblowing hotline Tel: +603 5639 8311 E-mail: whistleblowing_S-REIT@sunway.com.my Fax: +603 5639 9605</p> <p>The faxes and emails to these channels will be directed to the Chairman of the AC, the CEO and the Head of IAD.</p> <p>The Head of IAD will maintain a record of the complaints and will track their receipt, investigation and resolution. The Head of IAD will review each claim independently and pursue it to the extent that the information received allows, and based on the evidence that is available. IAD will then begin preliminary investigation to establish whether the claim has merit and can be substantiated. IAD will investigate each claim independently based on standard internal audit practices and fraud response procedures. Upon completion of each investigation, IAD will prepare a report to the Chairman of the AC for further action. The Head of IAD shall prepare a summary report and present it to the AC on a quarterly basis.</p> <p>During the financial year under review, there were no whistleblowing cases reported through the channel.</p>
Explanation for departure	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	-
Timeframe	-

Intended Outcome

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

Practice 4.1

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

Application	:	Departure
Explanation on application of the practice	:	-
Explanation for departure	:	<p>During the financial year under review, the Board consisted of 6 members, comprising 1 Executive Director and 5 Non-Executive Directors (including the Chairman) of whom 3 are independent as defined by the MMLR. The Independent Directors made up 50% of the composition of the Board. Hence, the composition of the Board fulfils the prescribed requirement for 1/3 of the Board to be Independent Directors. The appointment of Independent Directors is to ensure that the Board includes directors who can effectively exercise their best judgment objectively for the exclusive benefit of the Company and Sunway REIT.</p> <p>The Board does not comprise a majority Independent Directors. Nevertheless, under the leadership of an Independent Chairman, the Board has at all times acted in the best interest of Sunway REIT.</p> <p>The composition of the Board reflects a diversity of age, backgrounds, skills, experiences and gender in the areas of business, economics, finance, legal, professional asset valuation and business strategy that contributes effectively in leading and directing the management and affairs of Sunway REIT.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	The Board, through the NRC has intention to increase its membership by recruiting an additional independent director so that the independent directors forms a majority of the Board. The NRC has taken various actions to source for suitable and high calibre candidates for appointment to the Board.
Timeframe	:	Within 1 year

Intended Outcome

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

Practice 4.2

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

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

<p>Application :</p>	<p>Not applicable.</p> <p>None of the Independent Directors of the REIT Manager has served beyond 9 years.</p>
<p>Explanation on application of the practice :</p>	<p>The Board, through the NRC, has on 3 May 2017 assessed the independence of each Independent Directors based on a set of criteria as specified in MMLR. Further, all the Independent Directors had given their confirmation on their independence pursuant to the MMLR vide the annual Independent Directors’ Self-Assessment Checklist and responses had been collated by the Company Secretary.</p> <p>The NRC affirmed that all the Independent Directors continued to act objectively and independently based on the following justifications:</p> <ul style="list-style-type: none"> (i) their vast experiences and expertise had enabled the Board to discharged its duties effectively and in a competent manner; (ii) they have at all times acted in the best interest of Sunway REIT, providing independent views to the deliberations and decision making of the Board and Board Committees. They had fully understood and provided critical oversight over Sunway REIT’s objective and strategies as well as the business operation of the Sunway REIT; and (iii) they have proven to be reliable Independent Directors with their integrity, professionalism, aptitude and business outlook and perspectives. They had devoted sufficient time and attention to their professional obligations to achieve informed and balance decision making and have also exercised due care and diligence during their tenure in the best interest of Sunway REIT and the unitholders. <p>During the financial year under review, none of the Independent Non-Executive Directors has reached 9 years of tenure. Their length of service as at 20 July 2018 is set out in the Board of Directors’ profile in the 2018 Annual Report of Sunway REIT.</p>
<p>Explanation for departure :</p>	<p>-</p>

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

<p>Measure</p>	<p>: Even though it is not applicable as at the date of this report, there will be some Directors whose tenure will exceed 9 years in 2019.</p> <p>The Board is advised by the NRC that the existing independence assessment vide the annual Independent Directors' Self-Assessment Checklist is suitable and robust for the independent assessment for this purpose. Therefore, the Board is of the opinion that as long as the Independent Director is able to confirm in good faith that he or she remain independent not only pursuant to the criteria of independence as defined in MMLR but practically also to remain critical and independent in thinking, such Independent Director will be allowed to serve beyond 9 years. Their relevant experiences, familiarity with the real estate industry and knowledge acquired in managing Sunway REIT's portfolio of assets will be valuable in ensuring its continued performance.</p>
<p>Timeframe</p>	<p>: -</p>

Intended Outcome

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

Practice 4.3 - Step Up

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

Application	:	Not adopted.
Explanation on adoption of the practice	:	-

Intended Outcome

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

Practice 4.4

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

Application	:	Applied																																							
Explanation on application of the practice	:	<p>The appointment of directors is a vital process as it determines the composition and quality of the Board’s mix of skills and competencies. The nomination and appointment of new directors takes place within the parameters set out in the Board Charter.</p> <p>During the year under review, no new directors was appointed.</p> <p>The REIT Manager is committed to encouraging diversity and inclusion in the workplace. It aims to create a culture that respects and values each other’s differences, promotes equality and diversity, and encourages individuals to grow and develop in order to realise their full potential. Diversity and inclusion are closely tied to the REIT Manager’s core values of integrity, humility and excellence which are embedded into every facet of Sunway REIT’s businesses and goals. Nonetheless, the Board will also prioritise selection criteria based on an effective mix of competencies, skills as well as relevant experiences and knowledge in order to strengthen the Board’s effectiveness.</p> <p>The current diversity in the skill, experience, age and gender of the existing Board is as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="5">Skill & Experience</th> </tr> <tr> <th>Accounting & Corporate Finance</th> <th>Legal</th> <th>Real Estate Evaluation</th> <th>Property/Facility Management</th> <th>Property Development</th> </tr> </thead> <tbody> <tr> <td>Number of Directors</td> <td style="text-align: center;">5</td> <td style="text-align: center;">1</td> <td style="text-align: center;">1</td> <td style="text-align: center;">3</td> <td style="text-align: center;">3</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">Gender</th> </tr> <tr> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>Number of Directors</td> <td style="text-align: center;">4</td> <td style="text-align: center;">2</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">Age Group</th> </tr> <tr> <th>41-50</th> <th>51-60</th> <th>61-70</th> <th>71-80</th> </tr> </thead> <tbody> <tr> <td>Number of Directors</td> <td style="text-align: center;">1</td> <td style="text-align: center;">1</td> <td style="text-align: center;">2</td> <td style="text-align: center;">2</td> </tr> </tbody> </table> <p>The NRC is tasked with the responsibility of sourcing and making a recommendation in relation to any appointment of a director.</p> <p>Based on the recommendations of the NRC, the Board shall have the ultimate power to appoint any person to be a director of the REIT Manager, either to fill a casual vacancy or as an addition to the existing Board subject to the maximum number fixed in the Articles of Association of the REIT Manager.</p>		Skill & Experience					Accounting & Corporate Finance	Legal	Real Estate Evaluation	Property/Facility Management	Property Development	Number of Directors	5	1	1	3	3		Gender		Male	Female	Number of Directors	4	2		Age Group				41-50	51-60	61-70	71-80	Number of Directors	1	1	2	2
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Explanation for departure	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	-
Timeframe	-

Intended Outcome

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

Practice 4.5

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

Application	:	Applied
Explanation on application of the practice	:	In supporting the Government’s target for women to fill 30% or more of the decision-making positions in corporate Malaysia, the REIT Manager had achieved the target of 30% women Directors on the Board. During the financial year under review, the women Directors made up 34% of the composition of the Board.
Explanation for departure	:	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	-
Timeframe	:	-

Intended Outcome

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

Practice 4.6

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

Application	:	Applied
Explanation on application of the practice	:	<p>The REIT Manager has a formal selection process and assessment criteria for appointment of new directors. It also sets out the criteria for assessment of the appropriateness of the board mix and composition.</p> <p>The Board is allowed to engage executive search firms and other channels such as professional bodies and non-governmental organisations to assist in finding candidates with the relevant skills and background.</p>
Explanation for departure	:	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	-
Timeframe	:	-

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The NRC is chaired by Tengku Nurul Azian Binti Tengku Shahrman, an Independent Non-Executive Director.	
Explanation for departure	:	-	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	-	
Timeframe	:	-	

Intended Outcome

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

Practice 5.1

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

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

Application	: Departure
Explanation on application of the practice	: -
Explanation for departure	<p>The Board, through the NRC undertakes an annual assessment of the Board as a whole and each individual Directors' performance by way of self and peer evaluation. This annual assessment includes a review of the desirable mix of competencies, qualification, knowledge, skills, expertise and personal traits of Directors and any gaps that exist in the optimum mix of skills required for the Board. The evaluation process is annually conducted and facilitated by the Company Secretaries. So far, the Board was satisfied with the current evaluation methodology as each director was able to provide candid, frank opinions and recommendations for themselves, their peers and also to improve the overall governance process of Sunway REIT. As such, the Board has decided to continue with the existing practice of Board assessment as the existing assessment method proves to be relevant suitable and robust for Sunway REIT. External experts although independent, may not have requisite understanding of the needs of Sunway REIT. It will only consider engaging independent experts for the annual evaluation on periodical basis in future if it is necessary.</p> <p>The evaluation process started with the development of the assessment questionnaires by the Group Secretariat Department based on the recommended questionnaires published under the Corporate Governance Guides issued by Bursa Malaysia Berhad.</p> <p>The questionnaires were tabled to the NRC for discussion and approval on 10 August 2017. The approved evaluation forms were uploaded onto a dedicated electronic application platform for assessment by the Directors. This process is undertaken at the last quarter of every financial year.</p> <p>The NRC also undertook annual assessment of the effectiveness of various Board Committees. The assessments are used to identify the Board Committees' strengths and shortcomings as well as to recommend areas for improvement.</p> <p>The results of the assessments were compiled by the Company Secretaries into summarised executive reports which were then tabled for review and discussion at the NRC meeting. Thereafter,</p>

	<p>the executive reports were presented to the Board for further deliberation.</p> <p>During the year under review, the Directors were satisfied with the performances and effectiveness of the Board and Board Committees. The Director's peer review indicated that all the Directors were of the view that each of them had performed their respective roles and functions effectively and responsibly during the FY2018. Each member was satisfied with each other's contribution in sharing their insights and active participation in Board and Board Committees' discussions.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>: The Board is satisfied with the present assessment approach and will continue the existing practice of conducting its annual evaluation facilitated by the Company Secretaries.</p>
<p>Timeframe</p>	<p>: -</p>

Intended Outcome

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

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

Practice 6.1

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

Application	: Applied
Explanation on application of the practice	<p>The REIT Manager has in place a policy to determine the remuneration of Directors and Senior Management, which takes into account the demands, complexities and performance of the REIT Manager as well as skills and experience required. The Board is assisted by the NRC in reviewing suitable remuneration for the Executive Director and Senior Management whereupon recommendations are submitted to the Board for approval. All Directors and employees of the REIT Manager are remunerated by the REIT Manager and not by Sunway REIT.</p> <p>The Remuneration Policy for Directors and Senior Management is available on Sunway REIT’s website at https://www.sunwayreit.com.</p> <p>The Board recognises that in order to attract, retain and motivate Directors and Senior Management of good calibre to drive and pursue the long term growth objective of Sunway REIT, it is important to have a fair and competitive remuneration package that commensurate with their experience, skills, responsibilities, performance, contribution as well as the remuneration practices and trends by other similar players in the market. In view of this, framework and guidelines provided by independent consultant and market data on the remuneration practices of comparable peers are taken into consideration in determining the remuneration package.</p> <p>The remuneration package of Executive Director and Senior Management is:</p> <ul style="list-style-type: none"> (i) made up of various components, primarily consisting of fixed monthly salary, performance-based remuneration, e.g. bonus, incentive pay, employee share option as well as benefits-in-kind; and (ii) structured on the basis of linking rewards to corporate and individual performance. The Group HR uses established HR system to facilitate performance management process for Executive Director and Senior Management. The review is conducted on a half-yearly basis. <p>The CEO, who serves as an Executive Director of the REIT Manager received no payment from the REIT Manager, save for</p>

the remuneration paid to him for his management position arising from his employment contract with the REIT Manager.

During the financial year under review, the NRC deliberated the following matters relating to the remuneration of Directors and Senior Management before recommending the same to the Board for approval:

- (i) reviewed the proposed performance scorecard for the CEO and CFO for the financial year ended 31 December 2017 on 3 May 2017;
- (ii) reviewed mid-year performance of the CEO and CFO based on their 9-months performance indicators up to 30 September 2017 against their approved KPIs on 31 October 2017; and
- (iii) evaluated the CEO and CFO's final performance rating on 6 February 2018.

The NRC determined and approved salary increment and quantum of bonus payment in accordance with business justifications and bonus framework of Sunway Group. It had also taken into consideration the external market data in its decision i.e. benchmarking against remuneration packages of relevant positions with similar industry and business size.

For Independent Non-Executive Directors, the level of remuneration reflects their experience, level of responsibilities and industry's benchmark as well as complexity of the REIT Manager's businesses. The remuneration of Independent Non-Executive Directors consists of fixed annual board fee, committee fee, and meeting attendance allowances for each Board or Board Committee meeting attended. The Non-Executive Directors are reimbursed for all their travelling, hotel and other expense properly and necessarily expended by them in and about the business of the REIT Manager.

The Non-Executive Directors are paid by way of fees for their services and are not compensated based on the REIT Manager or Sunway REIT's performance and results as this may impair the Directors' objectivity and independence, particularly when asked to endorse risky business decisions that may have a vast upside potential. For purpose of ensuring independence of the Independent Non-Executive Directors, they are not eligible for employees' share option scheme.

The Board as a whole resolved on the fees for the Independent Non-Executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration. The fees payable to the Independent Non-Executive Directors are subject to the approval of shareholders of the REIT Manager at its AGM. The remuneration structure of the Non-Executive Directors is as set out below:

	Chairman (RM'000)	Member (RM'000)
Annual Director's fee:		
Board	100	80
AC	6	3

		Chairman (RM'000)	Member (RM'000)
	Meeting allowance per meeting:		
	For each Board or Board Committee meeting	1	1
	The Executive Director is not entitled to the abovementioned Director's fee or any meeting attendance allowances.		
Explanation for departure	-		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	-		
Timeframe	-		

Intended Outcome

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

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

Practice 6.2

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

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

Application	: Applied
Explanation on application of the practice	<p>The Board had combined the Nomination Committee and Remuneration Committee into one Committee. The NRC comprises 4 members, all of whom are Non-Executive Directors, with a majority of them being Independent Directors. The duties and responsibilities of the NRC are set out in the TOR of the NRC which is available at Sunway REIT’s website at https://www.sunwayreit.com.</p> <p>The NRC with the assistance of Group HR Director, evaluates the performances of the CEO and CFO twice a year. Based on the performance appraisals, the NRC determines the performance bonus for the CEO and CFO. The NRC also reviews the remuneration packages of the CEO and CFO to ensure that it commensurate with their scope of responsibilities and performance achieved. It also deliberates and recommends the renewal of the terms of employment contracts for CEO, with the aim of ensuring that the REIT Manager retains the high calibre CEO needed to run Sunway REIT successfully.</p> <p>During the financial year under review, the NRC deliberated the following matters relating to the remuneration of Directors and Senior Management before recommending the same to the Board for approval:</p> <ul style="list-style-type: none"> (i) reviewed mid-year performance of the CEO and CFO on 31 October 2017 based on the 9-months performance indicators up to 30 September 2017 against the approved KPIs; (ii) reviewed the proposed renewal of the employment contract for the CEO; (iii) on 6 February 2018, the NRC: <ul style="list-style-type: none"> (a) evaluated the CEO and CFO’s performance scorecard for the financial year ended 31 December 2017, and thereupon proposed the final bonuses and salary increments for the CEO and CFO. The Group HR Director was invited to present the surveys on remuneration package for similar industry for discussion and comparison;

	<p>(b) reviewed the proposed performance scorecard for the CEO and CFO for the financial year ending 31 December 2018; and</p> <p>(iv) on 3 May 2018, the NRC reviewed and recommended to the Board the Remuneration Policy for Directors and Senior Management.</p> <p>Besides reviewing the remuneration matters of Directors and Senior Management, the NRC is also responsible for overseeing the Director's selection process, annual Board and Board Committees' performance assessment and any other nomination matters in relation to the Board. During the financial year under review, the NRC carried out the following activities:</p> <p>(i) reviewed the TOR of the NRC;</p> <p>(ii) reviewed the Board and Board Committee's evaluation methodology for FY2018 and the relevant assessment questionnaires forms prepared by the Company Secretaries;</p> <p>(iii) reviewed and endorsed the NRC report to be published in the 2017 Annual Report of Sunway REIT;</p> <p>(iv) reviewed the Board and Management succession plan;</p> <p>(v) assessed the annual performance of each individual Director;</p> <p>(vi) assessed the continued independence of each Independent Director;</p> <p>(vii) reviewed the skills, experience and competencies of each individual Director and based thereupon, assessed the training needs of each individual Director;</p> <p>(viii) assessed the effectiveness of the Board, the AC and other Committees of the Board; and</p> <p>(ix) endorsed the retirement and re-election of the Directors pursuant to the Articles of Association of the REIT Manager.</p> <p>The duties and responsibilities of the NRC are set out in the TOR of the NRC which is available at Sunway REIT's website at https://www.sunwayreit.com.</p> <p>The Board was satisfied that the NRC has effectively and efficiently discharged its roles and responsibilities with respect to its nomination and remuneration functions.</p>
<p>Explanation for departure</p>	<p>-</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>-</p>
<p>Timeframe</p>	<p>-</p>

Intended Outcome

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

Practice 7.1

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

Application	: Applied																																																						
Explanation on application of the practice	<p>The remuneration of Directors and Senior Management are paid by the REIT Manager and not by Sunway REIT.</p> <p>The aggregate remuneration paid to the Directors of the REIT Manager who served during the financial year is as follows:</p> <p>(a) Independent Non-Executive Directors</p> <table border="1"><thead><tr><th>No.</th><th>Name</th><th>Director's Fee (RM'000)</th><th>AC's Fee (RM'000)</th><th>Meeting Allowance (RM'000)</th></tr></thead><tbody><tr><td>1.</td><td>Tan Sri Ahmad Bin Mohd Don</td><td>100</td><td>3</td><td>18</td></tr><tr><td>2.</td><td>Elvin A/L Bertly Luke Fernandez</td><td>80</td><td>6</td><td>18</td></tr><tr><td>3.</td><td>Tengku Nurul Azian Binti Tengku Shahrman</td><td>80</td><td>3</td><td>18</td></tr></tbody></table> <p>(b) Non-Independent Non-Executive Directors</p> <table border="1"><thead><tr><th>No.</th><th>Name</th><th>Director's Fee (RM'000)</th><th>AC's Fee (RM'000)</th><th>Meeting Allowance (RM'000)</th></tr></thead><tbody><tr><td>1.</td><td>Sarena Cheah Yean Tih</td><td>-</td><td>-</td><td>-</td></tr><tr><td>2.</td><td>Ng Sing Hwa</td><td>80</td><td>3</td><td>14</td></tr><tr><td>3.</td><td>Chan Hoi Choy*</td><td>-</td><td>-</td><td>-</td></tr></tbody></table> <p>(c) Non-Independent Executive Director</p> <table border="1"><thead><tr><th>Name</th><th>Salary (RM'000)</th><th>Bonus (RM'000)</th><th>EPF (RM'000)</th><th>Other emoluments (RM'000)</th><th>Benefits-in-kind (RM'000)</th><th>Total (RM'000)</th></tr></thead><tbody><tr><td>Dato' Jeffrey Ng Tiong Lip[#]</td><td>824</td><td>543</td><td>260</td><td>1</td><td>7</td><td>1,635</td></tr></tbody></table> <p>Notes: * Retired as a Non-Independent Non-Executive Director on 7 May 2018.</p>	No.	Name	Director's Fee (RM'000)	AC's Fee (RM'000)	Meeting Allowance (RM'000)	1.	Tan Sri Ahmad Bin Mohd Don	100	3	18	2.	Elvin A/L Bertly Luke Fernandez	80	6	18	3.	Tengku Nurul Azian Binti Tengku Shahrman	80	3	18	No.	Name	Director's Fee (RM'000)	AC's Fee (RM'000)	Meeting Allowance (RM'000)	1.	Sarena Cheah Yean Tih	-	-	-	2.	Ng Sing Hwa	80	3	14	3.	Chan Hoi Choy*	-	-	-	Name	Salary (RM'000)	Bonus (RM'000)	EPF (RM'000)	Other emoluments (RM'000)	Benefits-in-kind (RM'000)	Total (RM'000)	Dato' Jeffrey Ng Tiong Lip [#]	824	543	260	1	7	1,635
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	#	<i>The total remuneration is due to his employment contract with the REIT Manager, but not in his capacity as an Executive Director of the REIT Manager.</i>	
Explanation for departure	:	-	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	-	
Timeframe	:	-	

Intended Outcome

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

Practice 7.2

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

Application	:	Departure
Explanation on application of the practice	:	-
Explanation for departure	:	<p>Due to the highly competitive industries in which the REIT Manager is operating, the REIT Manager faces challenges in talent management and retention. Therefore, the Board is of the opinion that disclosing the remuneration of senior management would be a disadvantage to the REIT Manager.</p> <p>Further, the remuneration of senior management is paid by the REIT Manager and not by Sunway REIT.</p> <p>The REIT Manager's Remuneration Policy for Directors and Senior Management has alternatively explained how the senior management is rewarded. The policy is available at Sunway REIT's website at https://www.sunwayreit.com.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board has decided not to disclose the senior management's remuneration of the REIT Manager.
Timeframe	:	-

Intended Outcome

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

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	-

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.1

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

Application	:	Applied															
Explanation on application of the practice	:	<p>The AC is led by Mr Elvin A/L Berty Luke Fernandez, the Senior Independent Non-Executive Director who is not the Chairman of the Board.</p> <p>During the financial year under review, the AC comprised 4 members, all of whom are Non-Executive Directors; 3 being Independent Non-Executive Directors, who satisfied the test of independence under the MMLR and 1 Non-Independent Non-Executive Director. The members of the AC are as follows:</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Director / Designation</th> <th>Membership</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Elvin A/L Berty Luke Fernandez Senior Independent Non-Executive Director</td> <td>Chairman</td> </tr> <tr> <td>2</td> <td>Tan Sri Ahmad Bin Mohd Don Independent Non-Executive Director</td> <td>Member</td> </tr> <tr> <td>3</td> <td>Ng Sing Hwa Non-Independent Non-Executive Director</td> <td>Member</td> </tr> <tr> <td>4</td> <td>Tengku Nurul Azian Binti Tengku Shahrinan Independent Non-Executive Director</td> <td>Member</td> </tr> </tbody> </table>	No.	Director / Designation	Membership	1	Elvin A/L Berty Luke Fernandez Senior Independent Non-Executive Director	Chairman	2	Tan Sri Ahmad Bin Mohd Don Independent Non-Executive Director	Member	3	Ng Sing Hwa Non-Independent Non-Executive Director	Member	4	Tengku Nurul Azian Binti Tengku Shahrinan Independent Non-Executive Director	Member
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4	Tengku Nurul Azian Binti Tengku Shahrinan Independent Non-Executive Director	Member															
Explanation for departure	:	-															
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																	
Measure	:	-															
Timeframe	:	-															

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>It is the policy of the REIT Manager that no former key audit partner can be appointed as a member of the AC unless he/she has observed a cooling-off period of at least 2 years before appointment.</p> <p>Since the incorporation of the REIT Manager on 14 February 2008, none of the members of the AC were former key audit partners.</p> <p>The TOR of the AC is set out at Sunway REIT’s website at https://www.sunwayreit.com.</p>
Explanation for departure	:	-
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	-
Timeframe	:	-

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.3

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

Application	: Applied
Explanation on application of the practice	<p>The Board, through the AC, maintains an appropriate, formal and transparent relationship with both internal and external auditors. Based on the Policy on Selection of External Auditors and a Non-Audit Services Policy, the AC annually assesses the suitability, effectiveness and independence of the External Auditors and ensures that the provision of other non-audit services by the External Auditors is not in conflict with their audit function.</p> <p>The External Auditors shall rotate their engagement partner in charge of the audited financial statements of Sunway REIT once every 5 years to maintain their independence. Nevertheless, the current audit engagement partner has held the position for only 3 years. Management shall obtain assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>Pursuant to the Deed, the appointment of the External Auditors for Sunway REIT, who may be nominated by the REIT Manager, shall be approved by the Trustee and the remuneration of the External Auditors shall be fixed by the Trustee.</p> <p>Both the Policy on Selection of External Auditors and Non-Audit Services Policy are published on Sunway REIT’s website at https://www.sunwayreit.com.</p> <p>During the financial year under review, the AC, CEO, CFO and IAD on 3 May 2017 had assessed the suitability, effectiveness and independence of the External Auditors as well as the provision of non-audit services by the external auditors. The annual assessment of the External Auditors encompassed areas such as objectivity and independence, competency, quality of services, communication and interaction, audit planning, delivery, fees and adequacy of resources. The evaluation was conducted vide a list of check list.</p> <p>On 10 August 2017, BDO in its presentation on External Auditors’ report to the AC, declared its independence in relation to its engagement as External Auditors of Sunway REIT in accordance with the terms of all relevant professional and regulatory requirements in respect of the audited financial statements of Sunway REIT for FY2017.</p>

Explanation for departure	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	-
Timeframe	-

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Not Adopted
Explanation on adoption of the practice	:	-

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	: Applied
Explanation on application of the practice	<p>During the year under review, the AC comprised 4 members, all of whom are Non-Executive Directors, with a majority of them being Independent Directors.</p> <p>As disclosed in the profiles of the AC members as set out in the Profile of Directors section of the 2018 Annual Report of Sunway REIT, at least 1 member of the AC fulfils the financial expertise requirement of the MMLR. A majority of the members of the AC are financially literate and have the ability to discharge their responsibility to perform the following duties:</p> <ul style="list-style-type: none"> (i) overseeing the financial reporting process and ensuring that the financial results of Sunway REIT are true and accurate in compliance with relevant accounting standards and legislations; (ii) ensuring the adequacy and effectiveness of the risk management and internal control systems; (iii) monitoring and ensuring the performance of the external and internal audit functions; and (iv) evaluating the fairness and reasonableness of all related party transactions. <p>The members of the AC had:</p> <ul style="list-style-type: none"> (i) devoted sufficient time to update their knowledge and enhancing their professional competencies through appropriate continuing education programme; (ii) been periodically briefed on the changes and impact on the financial statements as a consequence of the coming into effect of relevant financial reporting standards by the CFO at the AC meetings held during the financial year. <p>The Board, through its NRC, has on 3 May 2017 reviewed the performances of the AC and the skills, experiences and competencies possessed by the members of the AC through an annual AC effectiveness assessment. The Board was satisfied with the performance of the AC and its members in accordance with the TOR of the AC.</p> <p>Please refer to the Board of Directors section of the REIT Manager on Sunway REIT’s website at https://www.sunwayreit.com for</p>

	the details of the continuing education programmes that the Directors have attended for FY2018.	
Explanation for departure	-	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	-
Timeframe	:	-

Intended Outcome

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

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

Practice 9.1

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

Application	:	Applied											
Explanation on application of the practice	:	<p>Sunway REIT’s system of risk management and internal control is integrated and designed to embed into Enterprise Risk Management covering key activities or processes and initiatives of its operations to drive effective and accountable action, as well as monitoring consistent risk management practices.</p> <p>The Board assumes overall responsibility for maintaining a sound system of risk management and internal control that provides reasonable assurance of effective operations and legal compliance including both Sunway REIT’s internal policies and standard operating procedures. The system of internal control encompasses corporate governance, tender processes, financial system, IT network system, risk management, operational and organizational systems, safety, health and environment, regulatory as well as compliance control matters. The system in place provides reasonable but not absolute assurance against fraud, work site accidents, negligence, cyber-attacks, financial losses, or material misstatement.</p> <p>The Board has adopted a risk management framework that is enterprise-wide as an acknowledgement of its commitment towards promoting risk management practices throughout all its business processes and operations.</p> <p>The Board is supported by the RMC, which was established on 31 October 2017. The RMC with the assistance of the Risk Management Working Group, evaluates and monitors the critical risks identified as well as manages the risks through suitable internal controls and mitigating action plans.</p> <p>The risk management review is reported to the RMC on a half-yearly basis. The Board has adopted a conservative risk appetite which was determined by the major risk categories as follows:</p> <table border="1" style="margin-left: 20px;"> <tr><td>Risk Category</td></tr> <tr><td>External</td></tr> <tr><td>Regulatory</td></tr> <tr><td>Legal</td></tr> <tr><td>Corporate Governance</td></tr> <tr><td>Financial</td></tr> <tr><td>Customers</td></tr> <tr><td>Suppliers</td></tr> <tr><td>Products and Services</td></tr> <tr><td>Human Capital</td></tr> <tr><td>Operations</td></tr> </table>	Risk Category	External	Regulatory	Legal	Corporate Governance	Financial	Customers	Suppliers	Products and Services	Human Capital	Operations
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Financial													
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Suppliers													
Products and Services													
Human Capital													
Operations													

	<p>Notwithstanding the aforesaid, the appropriate level of risk tolerance will depend on the nature of tasks or projects undertaken and the objectives pursued. The risk appetite will be reviewed periodically by the RMC in response to the operating environment.</p> <p>The Board has also established an internal audit function by setting up an IAD. The IAD assists the AC in reviewing, evaluating and monitoring the effectiveness of Sunway REIT's governance, risk management and internal control processes. The Internal audit reports encompassing the audit findings together with recommendations thereon prepared by the IAD are presented to the AC on a quarterly basis.</p> <p>Further elaboration on Sunway REIT's risk management and internal control could be found in the Statement on Risk Management and Internal Control as set out in the 2018 Annual Report of Sunway REIT.</p>
Explanation for departure	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	-
Timeframe	-

Intended Outcome

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

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is committed towards and responsible for effective risk management and internal controls of Sunway REIT. The Board embeds risk management practices into activities, initiatives and processes of Sunway REIT. The framework has been set in place by the Board to identify, evaluate, mitigate and monitor key risks faced by Sunway REIT.</p> <p>The Board recognises that the framework is designed to mitigate rather than to eliminate risks or events with significant adverse impact on the achievement of Sunway REIT’s objectives and strategies. As such, it provides reasonable but not absolute assurance against material financial misstatement and management information and records, or against financial losses or fraud.</p> <p>The RMC reviews the risk management framework and processes to ensure that they remain relevant, and monitors the effectiveness of risk practices or mitigation action plans for the management and control of the key risks. The RMC, at its meeting held on 4 June 2018, reviewed and adopted the risk management framework and risk appetite for Sunway REIT. The RMC also deliberated on the half-yearly risk report which identified several principal risks and the corresponding rating for each risk.</p> <p>The Statement on Risk Management and Internal Control as set out in Sunway REIT’s 2018 Annual Report provides an overview of the state of risk management and internal control within Sunway REIT.</p> <p>The IAD’s functions and summary of its activities are set out in the AC Report in the 2018 Annual Report of Sunway REIT.</p>
Explanation for departure	:	-
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	-
Timeframe	:	-

Intended Outcome

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

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

Practice 9.3 - Step Up

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

Application	: Adopted															
Explanation on adoption of the practice	<p>The Board had on 31 October 2017 established a Risk Management Committee to oversee the risk management framework and policies of Sunway REIT.</p> <p>During the financial year under review, the Risk Management Committee comprised 4 members, all of whom are Non-Executive Directors; 3 being Independent Non-Executive Directors, who satisfied the test of independence under the MMLR and 1 Non-Independent Non-Executive Director. The members of the Risk Management Committee are as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 5%;">No.</th> <th style="width: 70%;">Director / Designation</th> <th style="width: 25%;">Membership</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td>Ng Sing Hwa Non-Independent Non-Executive Director</td> <td style="text-align: center;">Chairman</td> </tr> <tr> <td style="text-align: center;">2</td> <td>Tan Sri Ahmad Bin Mohd Don Independent Non-Executive Director</td> <td style="text-align: center;">Member</td> </tr> <tr> <td style="text-align: center;">3</td> <td>Elvin A/L Berty Luke Fernandez Senior Independent Non-Executive Director</td> <td style="text-align: center;">Member</td> </tr> <tr> <td style="text-align: center;">4</td> <td>Tengku Nurul Azian Binti Tengku Shahrman Independent Non-Executive Director</td> <td style="text-align: center;">Member</td> </tr> </tbody> </table>	No.	Director / Designation	Membership	1	Ng Sing Hwa Non-Independent Non-Executive Director	Chairman	2	Tan Sri Ahmad Bin Mohd Don Independent Non-Executive Director	Member	3	Elvin A/L Berty Luke Fernandez Senior Independent Non-Executive Director	Member	4	Tengku Nurul Azian Binti Tengku Shahrman Independent Non-Executive Director	Member
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4	Tengku Nurul Azian Binti Tengku Shahrman Independent Non-Executive Director	Member														

Intended Outcome

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

Practice 10.1

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

Application	: Applied
Explanation on application of the practice	<p>The internal audit function is performed internally by the REIT Manager’s IAD. The main role of the internal audit function is to provide the AC with independent and objective evaluation of the adequacy and effectiveness of the system of internal controls, risk management and governance framework of Sunway REIT.</p> <p>IAD reports functionally to the AC and administratively to the CEO. The Head of the IAD reports directly to the AC and has unrestricted access to the AC. The IAD has full, free and unrestricted access to the REIT Manager and Sunway REIT’s records.</p> <p>IAD carried out risk-based internal audits on Sunway REIT and its properties based on an annual internal audit plan approved by the AC. On 10 August 2017, the Head of IAD presented its Annual Internal Audit Plan FY2018 for approval by the AC. Based on the Annual Internal Audit Plan FY2018, IAD provides the AC with quarterly internal audit reports highlighting observations, recommendations and action plans to improve Sunway REIT’s internal control system. The IAD and Management are tasked to ensure management action plans are carried out effectively and regular follow-up audits are performed to monitor the continued compliance.</p> <p>To ensure that the responsibilities of IAD are fully discharged, the AC reviews annually the adequacy of the scope, function and resources of the IAD. The IAD staff kept themselves up to date with developments in the profession by attending seminars and training workshops.</p> <p>Through the IAD, the REIT Manager undertakes regular and systematic reviews of the risk management and internal control systems so as to provide reasonable assurance that such systems continue to operate adequately and effectively at Sunway REIT.</p> <p>Details of the internal audit activities carried out by the IAD during the FY2018 are as set out in the AC Report in the 2018 Annual Report of Sunway REIT.</p>
Explanation for departure	: -

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure	:	-	
Timeframe	:	-	

Intended Outcome

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

Practice 10.2

The board should disclose–

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

Application	: Applied
Explanation on application of the practice	<p>In accordance with the Internal Audit Charter, the IAD acts as an independent, objective assurance and advisory function which has been established for purposes of examining and evaluating the risk management and internal control systems and governance processes of Sunway REIT in order to assist the members of the Management Team and the Board (including members of the AC) in the effective discharge of their responsibilities.</p> <p>During the financial year under review, the IAD confirmed its organisational independence, where the Head of IAD and all the Internal Auditors had signed a declaration that they were and had been independent, objective and in compliance with the Code and the professional standards laid down by the Institute of Internal Auditors (“IIA”). All the IAD personnel confirmed that they were free from any relationships or conflicts of interest, which would impair their objectivity and independence in their audit assignments.</p> <p>The IAD consists of 6 Internal Auditors which is headed by the Senior Manager, Ms Khong Shiyi who has 13 years of audit experience. She reports directly to the AC to ensure impartiality and independence. She holds a Bachelors of Commerce Degree in Accounting and Marketing, a member of the Certified Practising Accountants Australia (CPA) and she is also a Chartered Accountant registered with the Malaysian Institute of Accountants (MIA).</p> <p>The IAD is a member of the Malaysian Chapter of the Institute of Internal Auditors and adopts the IIA Standards laid down in the International Professional Practices Framework issued by the IIA. The IAD successfully completed its external Quality Assessment Review by 56 Protiviti Pte Ltd of Singapore in 2015. It was concluded that the IAD continues to meet or exceed the IIA Standards in all key aspects.</p> <p>In accordance with the TOR, the AC had in the last quarter of FY2017 conducted an annual assessment of the performance of the internal audit function for FY2017. The results were compiled and tabled to the AC at its meeting held on 3 May 2017. The AC was satisfied with the performance of the internal audit function</p>

	<p>for FY2017. It has concluded that the IAD was able to provide Directors and Senior Management with pertinent information on potential weaknesses in the system of internal control and providing Management with constructive input and ideas for remedial action.</p> <p>During the financial year under review, the IAD conducted various internal audit engagements in accordance with the approved risk-based internal audit plans that were consistent with the corporate goal of Sunway REIT. Details of the internal audit function for Sunway REIT are as set out in the AC Report in the 2018 Annual Report of Sunway REIT.</p>	
Explanation for departure	-	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	-	
Timeframe	-	

Intended Outcome

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

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

Practice 11.1

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

<p>Application</p>	<p>: Applied</p>
<p>Explanation on application of the practice</p>	<p>The Board recognises the importance of maintaining transparency and accountability to the unitholders of Sunway REIT. The Board ensures that all the unitholders of Sunway REIT are treated equitably and the rights of all investors are protected. The Board provides the unitholders and potential investors with comprehensive, accurate and quality information on a timely and non-selective basis, in order to keep them abreast of all material business matters affecting Sunway REIT.</p> <p>Timely disclosure of material information is critical towards building and maintaining corporate credibility and investor confidence. The Board recognises the importance of accurate and timely public disclosures of corporate information in order for the unitholders to exercise their ownership rights on an informed basis.</p> <p>The Board through the Management oversees Sunway REIT’s corporate disclosure practices and has authorised the CEO as the primary spokesperson responsible for communicating information to all stakeholders including the public.</p> <p>Sunway REIT also maintains a corporate website, https://www.sunwayreit.com to disseminate information and enhance its investor relations. All disclosures, material information and announcements made to Bursa Securities via Bursa LINK are published on the website shortly after the same is released by the news wire service or the relevant authorities. Supplemental, non-material information will be posted on the website as soon as practicable after it is available. There is an Investor Relations section on the website which provides all relevant information about Sunway REIT, such as financial information, announcements released to Bursa Securities, general meetings materials, investor presentations, corporate governance matters, distribution information, press releases to the media and investor centre. The information is easily accessible by the public. Annual reports and circulars to unitholders are also made available at this website for review.</p> <p>In addition, the REIT Manager also announces the targeted date for release of the financial results of Sunway REIT at least 2 weeks in advance prior to each Board meeting in order to keep the unitholders or investing public aware of the timing of the release of the financial results.</p>

The REIT Manager recognises the need for due diligence in maintaining, updating and clearly identifying the accuracy, veracity and relevance of information on the website. All timely disclosure and material information will be clearly date-identified. The REIT Manager has ongoing responsibility for ensuring that information in Sunway REIT's website is up-to-date.

While the REIT Manager endeavours to provide as much information as possible to the unitholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. The REIT Manager has also in place an insider trading policy to safeguard confidentiality of the material and price-sensitive information of Sunway REIT.

In addition, the email address, name and contact number of the REIT Manager's designated person is listed in Sunway REIT's website to enable the public to forward queries relating to Sunway REIT to the REIT Manager. Any enquiries on investor related matters of Sunway REIT may be directed to this email address, **irsunreit@sunway.com.my** or may also be conveyed to the following person:

Ms Crystal Teh Lay Ling
Senior Manager - Investor Relations
Tel No: (603) 5639 8864
Fax No: (603) 5639 8001
Email: crystalteh@sunway.com.my

The Board continues to maintain constant dialogues and is committed to clear communication with unitholders and investors. In this respect, as part of Sunway REIT's investor relations programmes, discussions and dialogues are held with fund managers, financial analysts, unitholders and the media to convey information about Sunway REIT's performance, corporate strategy and other matters affecting unitholders' interests.

In this financial year, the engagement activities with the institutional investment community focused on effective communication.

The REIT Manager communicates information on Sunway REIT to unitholders and the investing community through announcements that are released to Bursa Securities via Bursa LINK. Such announcements include the quarterly results, material transactions and other developments relating to Sunway REIT requiring disclosure under the MMLR. Communication channels with unitholders are also made accessible via:

- Press and analysts' briefings;
- One-on-one/group meetings, conference calls, investor luncheons, domestic/overseas roadshows and conferences;
- Annual reports;
- Press releases on major developments of Sunway REIT;
- Notices of, and explanatory memoranda for annual general meetings; and
- Sunway REIT's website at <https://www.sunwayreit.com>.

	<p>In addition to ensuring that a CD-ROM of the annual report is sent to all unitholders and quarterly results announced to Bursa Securities, Sunway REIT regularly updates its information on its website at https://www.sunwayreit.com. Sunway REIT also continues to take the extra mile to inform investors in advance of the date of release of the quarterly results.</p> <p>Unitholders are encouraged to attend the AGM and any general meetings of Sunway REIT, which is the principal forum for dialogue between the Board and the unitholders. It provides unitholders the opportunity to engage the Board, gain insights on Sunway REIT's business activities and financial position, raise questions or concerns with regards to Sunway REIT as well as to discuss any other important matters with the Management and the Board. The notice of AGM was given more than 28 days, well in advance of the 21-day requirements under the Deed and the MMLR. The additional time given to the unitholders would allow them to make necessary arrangement to attend, participate and vote either in person, by corporate representative, by proxy or by attorney as well as to exercise their ownership rights on an informed basis during the AGM.</p> <p>The Board has also appointed an Independent Non-Executive Director as the Senior Independent Director of the REIT Manager, to act as a designated contact to whom unitholders' concerns or queries may be raised, as an alternative to the formal channel of communication with unitholders. For any concerns or queries regarding Sunway REIT, the unitholders may convey to the Senior Independent Director of the REIT Manager via the following channels:</p> <p>Mail : SUNWAY REIT MANAGEMENT SDN BHD Level 16, Menara Sunway Jalan Lagoon Timur Bandar Sunway 47500 Subang Jaya Selangor Darul Ehsan Malaysia Attention: Elvin A/L Berty Luke Fernandez, Senior Independent Director</p> <p>Fax : (603) 5639 9507</p> <p>Email: irsunreit@sunway.com.my</p>
Explanation for departure	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	-
Timeframe	-

Intended Outcome

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

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

Practice 11.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>As part of the REIT Manager’s efforts to improve the quality of communication between Sunway REIT and the stakeholders to facilitate mutual understanding of each other’s objectives and expectations, Sunway REIT has adopted and incorporated integrated reporting based on a globally recognised framework in its 2017 Annual Report to enhance the connectivity and relevance of reporting for its esteemed stakeholders.</p> <p>Integrated reporting provides an avenue for Sunway REIT to:</p> <ul style="list-style-type: none"> (i) create a clearer and concise report which would encompass details that can be tailored to meet the needs of different group of stakeholders associated with Sunway REIT; (ii) provide a complete and coherent view of the value creation process of Sunway REIT; and (iii) articulate the business strategy (short, medium and long-term) of Sunway REIT to their stakeholders. <p>The integrated reporting process is a continuous improvement journey, and the REIT Manager will continue to keep abreast with the latest requirements of the integrated reporting framework to further improve the quality of information disclosures to the stakeholders of Sunway REIT.</p>
Explanation for departure	:	-
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	-
Timeframe	:	-

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The 5th AGM of Sunway REIT was held on 25 October 2017 and the notice convening the 5th AGM was sent to unitholders on 28 August 2017. The notice period given was more than 28 days, well in advance of the 21-day requirements under the Deed and the MMLR. The notice is also announced via Bursa LINK, published in a local English newspaper and posted on the Investor Relations section of Sunway REIT's website at https://www.sunwayreit.com.</p> <p>The additional time given to the unitholders would allow them to have sufficient time to scrutinise the Annual Report, to understand and consider the resolution proposed, to make necessary arrangement to attend, participate and vote either in person, by corporate representative, by proxy or by attorney as well as to exercise their ownership rights on an informed basis during the 5th AGM.</p> <p>An Administrative Guide, which furnished useful information regarding the conduct of the 5th AGM, together with the explanatory guide to the use of the electronic polling device were given to the unitholders.</p>
Explanation for departure	:	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	-
Timeframe	:	-

Intended Outcome

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

Practice 12.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>At the 5th AGM and EGM 2017 of Sunway REIT held on 25 October 2017, all 7 Directors of the REIT Manager were present in person to engage directly with unitholders, and be accountable for their stewardship of Sunway REIT. The Chair of the AC and the NRC were present to respond to any queries and clarifications addressed to them, if any.</p> <p>The Chairman of the 5th AGM and EGM 2017 invited unitholders to raise questions pertaining to Sunway REIT’s financial performance and other items for adoption at the meeting, before putting a resolution to vote. The Board, the Trustee, the Management Team, both Internal and External Auditors and the Advisers were in attendance to respond to the questions or concerns raised by unitholders.</p> <p>There was a special business item transacted at the EGM 2017. A full explanation was provided in the notice of the EGM 2017, accompanying with circular containing comprehensive information was circulated to unitholders in order to assist them in understanding the issue being deliberated and the implication of their decision in voting for or against the resolution. The Directors, CEO, Management and the Advisers were present at the EGM 2017 to answer questions or concerns raised by unitholders.</p>
Explanation for departure	:	-
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	-
Timeframe	:	-

Intended Outcome

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

Practice 12.3

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

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

Application	: Departure
Explanation on application of the practice	: -
Explanation for departure	<p>Since the listing of Sunway REIT on the Main Market of Bursa Securities on 8 July 2010, all resolutions set out in the notice of the general meetings were voted by poll. An independent scrutineer was appointed to validate the votes cast at each of the general meeting in accordance with Paragraph 8.29A of the MMLR.</p> <p>To promote greater transparency and to allow for a more efficient and accurate voting results, Sunway REIT has leveraged on technology to facilitate electronic poll voting with real-time polling results updated live for all unitholders’ (“e-Voting”) viewing. Sunway REIT started the e-Voting at its 4th AGM held on 29 September 2016 for the first time.</p> <p>The 5th AGM of Sunway REIT was held:</p> <ul style="list-style-type: none"> (i) on 25 October 2017 with the Notice of Meeting being issued on 28 August 2017, at least 28 days before the AGM, well in advance of the 21-day requirement under the Deed and the MMLR; and (ii) at Sunway Resort Hotel & Spa which is located within Sunway City is easily accessible and familiar venue to most unitholders. <p>In line with paragraph 8.29A of the MMLR, all the resolutions set out in the notices of 5th AGM and EGM 2017 were put to vote by poll. Sunway REIT had appointed its Share Registrar, Sunway Management Sdn Bhd as Polling Administrator to conduct the polling process, and BDO Governance Advisory Sdn Bhd as Independent Scrutineer to validate the poll results.</p> <p>Prior to the meeting, a tutorial video on how to use the e-Voting device was shown. In addition, a dry run on the use of the e-Voting device was conducted to ensure that all unitholders and proxies were familiar with the e-Voting device and procedure.</p> <p>The Independent Scrutineer had previously tested and verified the e-Voting system. During the 5th AGM and EGM 2017, the Independent Scrutineer observed and witnessed the entire e-Voting process starting from the registration of unitholders and proxies until the end of the meetings. Upon verification of the e-Voting results of all resolutions by the Independent Scrutineer, the</p>

	<p>poll results detailing the number of votes cast for and against each resolution and the respective percentages were announced via Bursa LINK on the same day the meeting was held after the close of trading. The Minutes of the 5th AGM and EGM 2017 were also made available on Sunway REIT's website at https://www.sunwayreit.com for the benefits of all unitholders.</p> <p>The REIT Manager aims to leverage on technology to facilitate voting in absentia and remote unitholders' participation at Sunway REIT's future general meetings. This can only be implemented with a comprehensive system fit for this purpose.</p> <p>As an alternative to the recommended practice, Sunway REIT allows its unitholders to appoint any person(s) as their proxies to attend, participate, speak and vote in his or her stead at all the general meetings.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>: Taking cognisance of this practice, the REIT Manager will:</p> <ul style="list-style-type: none"> (i) look into a suitable and reliable system to facilitate voting in absentia and remote participation by unitholders; (ii) closely monitor the development of this practice in the market for future consideration; and (iii) carefully consider all factors including all applicable requirements, necessary framework and processes, communication with unitholders as well as cyber security concerns in implementing the voting system.
<p>Timeframe</p>	<p>: Within 3 years</p>

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

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

Not applicable.
