

Audit Committee Report

The Board of Directors of the Manager is pleased to present the Audit Committee Report for the financial year ended 31 December 2019.

The Audit Committee ("AC") was established to assist the Board of Directors of the Manager ("the Board") in fulfilling its responsibilities to review, assess and oversee Atrium REIT's operations in the areas of financial reporting process, risk management and internal control framework, suitability and independence of external auditors, and an effective internal audit function with the main objective of protecting the interests of Unitholders.

COMPOSITION

The AC comprises three (3) members, all of whom are Independent Non-Executive Directors. The AC members of the Manager as at the date of this report are as follows:

Chng Boon Huat	Chairman
Soong Kwong Heng	Member
Tor Peng Sie	Member

The Board is of the view that the AC members have the relevant expertise to discharge the functions of an AC. The AC has a set of terms of reference defining its scope of authority, in relation to its management of Atrium REIT.

TERMS OF REFERENCE

The AC is governed by the terms of reference as listed below:-

1. Rights and Authority

The AC shall have the following rights and authority as empowered by the Board:

- 1.1 to investigate any activities within its term of reference;
- 1.2 full, free and unrestricted access to any financial information pertaining to the Manager and Atrium REIT;
- 1.3 direct communication channels with the external and internal auditors, as well as all employees of the Manager; and
- 1.4 to obtain external independent professional advice as necessary.

2. Duties

The AC shall undertake the following duties and report to the Board:-

- 2.1 to review quarterly results and year-end financial statements of Atrium REIT and the Company before submission to the Board for approval, focusing particularly on:
 - a) the going concern assumption;
 - b) any changes in or implementation of major accounting policies and practices;
 - c) significant issues arising from the audit including financial reporting issues, significant and unusual events or transactions, and how these matters are addressed;
 - d) compliance with accounting standards, regulatory and other legal requirements; and
 - e) any major judgmental matters.
- 2.2 to recommend for Board's approval, the nomination and appointment (if any), re-appointment of external auditors and their audit fee;
- 2.3 to discuss the underlying reasons relating to resignation or dismissal of the external auditors, if any;
- 2.4 to discuss with the external auditors, prior to the commencement of audit, their audit plan, and to ensure an effective co-ordination of audit where internal audit is involved;
- 2.5 to review with the external auditors, their evaluation of system of internal controls, their management letter and the management's responses;
- 2.6 to review the assistance given by employees of the Company to the external auditors;

Audit Committee Report (cont'd)

2. Duties (cont'd)

- 2.7 to conduct an annual assessment on the suitability, objectivity and independence of the external auditors;
- 2.8 to ensure that the internal audit function is independent and reports directly to the AC and the said internal audit function shall have direct access to the Chairman of the AC on all internal audit matters pertaining to Atrium REIT or the Manager;
- 2.9 to approve the budget for the internal audit function including the proposed internal audit fees;
- 2.10 to evaluate the performance and independence of the internal auditor (independent professional firm) including any matter concerning their appointment or termination;
- 2.11 to review the internal audit function, including the following:
- a) adequacy of the audit scope, functions, competency and resources of the internal audit function;
 - b) internal audit plan including its work programme and activities;
 - c) internal audit reports pertaining to the effectiveness of internal control, risk management and governance processes including compliance with the operational manuals, Securities Commission's Guidelines on Real Estate Investment Trusts and Bursa Malaysia Securities Berhad's Listing Requirements; and
 - d) major findings of internal audit report and management's response, and ensure that appropriate actions are taken based on the recommendations of the internal auditor.
- 2.12 to review any related party transactions and situations where a conflict of interest may arise with the Company, including any transaction, procedure or course of conduct that raises questions of management integrity;
- 2.13 to review all financial information to be provided to the regulators and/or to the public;
- 2.14 to report promptly to Bursa Securities Berhad on any matter reported which has not been satisfactorily resolved by the Board which will result in the breach of the Listing Requirements of Bursa Securities;
- 2.15 to review whistle-blowing policy;
- 2.16 to review and recommend to the Board for approval the following statements for inclusion in Atrium REIT's Annual Report:
- a) Audit Committee Report;
 - b) Corporate Governance Overview Statement;
 - c) Statement on the Board of Directors' responsibility for the preparation of the annual audited financial statements; and
 - d) Statement of Risk Management and Internal Control.
- 2.17 to consider other matters as may be directed by the Board from time to time.

MEETINGS

The AC shall meet at quarterly intervals or such other intervals as the AC shall decide. The quorum necessary for the transaction of the business of the AC shall be two (2) members. For FY2019, the AC had four (4) meetings without the presence of other Directors and employees, except at the invitation of the AC. The Chief Financial Officer ("CFO") was invited to the AC meeting to facilitate communication and to provide clarification on issues relating to financial statements and business operations.

The attendance of the AC members for the meetings held for FY2019 was as follows:-

Member	Designation	Number of AC Meeting	Attendance	Percentage of Attendance (%)
Chng Boon Huat	Independent Non-Executive Director	4	4	100
Soong Kwong Heng	Independent Non-Executive Director	4	4	100
Tor Peng Sie	Independent Non-Executive Director	4	4	100

Audit Committee Report (cont'd)

SUMMARY OF ACTIVITIES

The AC's activities for FY2019 comprised the following:-

- a) Reviewed and approved the Risk Management framework of Atrium REIT.
- b) Reviewed and approved the Internal Control System of Atrium REIT.
- c) Reviewed all the quarterly financial reports and income distributions of Atrium REIT, and to ensure the quarterly reports are in compliance with the Malaysia Financial Reporting Standards (MFRS) 134 Interim Financial Reporting, Part A and Part D of Appendix 9B of the Main Market Listing Requirements and the relevant approved accounting standards so as to give a true and fair view of the quarterly results.

The AC subsequently made its recommendations to the Board of the Manager for approval before releasing the quarterly reports and income distributions to Bursa Securities Berhad.

- d) Reviewed and discussed the audited financial statements of Atrium REIT for the financial year ended 31 December 2018, with the External Auditors prior to recommending the audited financial statements to the Board for approval. The audited financial statements included in the Annual Report, were issued to Unitholders at the end of February 2019.
- e) Reviewed the scope, functions and internal audit plan of the internal audit function. The AC also decided that the scope of the internal audit function for FY2019 would include the following areas:
 - i) Compliance with Bursa's Main Market Listing Requirements; and
 - ii) Compliance with Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts
- f) On 29 October 2019, the AC reviewed and discussed with the External Auditors on the Audit Planning for FY2019, in respect of the following areas:
 - i) Engagement and reporting responsibilities;
 - ii) External Auditor's audit approach;
 - iii) Materiality and performance materiality;
 - iv) Areas of significant auditor attention;
 - v) Engagement team; and
 - vi) Reporting, deliverables and audit fees.
- g) On 24 January 2020, the AC had a private session with the External Auditors, to discuss various audit issues and concerns that the External Auditors wished to highlight to the AC. The AC was informed that the External Auditors had received good cooperation from the Management and they were able to access all the necessary information to carry out their functions effectively.
- h) Reviewed on a quarterly basis, all related party transactions entered into by Atrium REIT.
- i) Reported to the Board on matters and issues discussed during the AC meetings, together with applicable recommendations for approvals.

INTERNAL AUDIT FUNCTION

The internal audit function of the Manager which is outsourced to an independent internal audit firm, PKR Advisory Sdn Bhd (Internal Auditors) reports to the AC. The AC in ensuring that its responsibilities are fully discharged in accordance with the International Standards for the Professional Practice of Internal Auditing, reviews the audit plan, adequacy of scope and resources of the internal audit function as well as the competency and experience of the outsourced Internal Auditors.

The audit findings of the Internal Auditors together with its recommendations and the Manager's action plans will be deliberated on during the AC meetings. The recommendations made by the Internal Auditors once approved by the AC, will be implemented accordingly by the Manager. The Board will be updated on the results of the internal audit review of the Manager's internal control system.

Detailed information of internal audit activities are disclosed in the Statement on Risk Management and Internal Control whereas information on the assessment of the effectiveness and independence of the internal audit function are provided in the Corporate Governance Overview Statement.

Sustainability Statement

INTRODUCTION

“Atrium Real Estate Investment Trust (hereinafter referred to as “Atrium REIT”) is a Malaysian-based industrial asset-focused unit trust established with the objective to own and invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate”.

Atrium REIT’s investment portfolio comprises of six (“6”) industrial properties located at prime industrial sites mainly in the Klang Valley and Penang, which are tenanted by subsidiaries of multinational companies and established local companies.

As the Manager of Atrium REIT, Atrium REIT Managers Sdn Bhd (“Manager”) is entrusted with the management and administration of Atrium REIT, including the implementation of Atrium REIT’s investment objectives and strategies. We also work in tandem with the appointed Property Manager, Hartamas Asset Management Sdn Bhd (“Property Manager”), for real estate assets within the portfolio of Atrium REIT, besides other stakeholders, to address material sustainability matters.

SCOPE AND BOUNDARY

Our Sustainability Statement has been written in accordance with and guided by Bursa Malaysia Securities Berhad’s Main Market Listing Requirements and, the Sustainability Reporting Guide and Toolkits. This statement covers the sustainability journey of Atrium REIT, a publicly listed REIT on the Main Market of Bursa Malaysia Securities Berhad, from 1st January 2019 to 31st December 2019 (“FY2019”). The statement considers all the material environmental, social and governance (“ESG”) risks and opportunities that impact Atrium REIT’s and its Manager’s business operations.

In view that Atrium REIT does not have any employees, information reported in relation to employees are made reference to the employees of the Manager. Environmental and social indicators reported are generated from all the real estate assets owned by Atrium REIT as well as the initiatives undertaken by the Manager’s in the course of its daily business operations.

PURPOSE

As we embarked on the journey of preparing our Sustainability Statement for YA2019, for our third consecutive year, we have come to appreciate that building a strong foundation of corporate citizenship is of upmost importance by striking a balance between financial results through good governance, social engagement and environmental stewardship.

Our above purpose is reflected through our Sustainability Vision:-

Sustainability Vision

“Atrium REIT endeavors to build trust and stronger relationships with both external and internal stakeholders, with the aim of materializing process improvements through sustainability elements in its business operations, including in current and future practices.”

Whilst we strive to achieve and materialise sustainability, we appreciate our Investors and Unitholders who took the risk related to the real estate industry and invested in Atrium REIT, with the following Business Mission:-

Business Mission

“Atrium REIT endeavors to maximize income in order to reward Unitholders with a competitive rate of return for their investments through regular and stable distributions, and achieving long-term growth in distributions and Net Asset Value per Unit.”