

# Corporate Governance Overview Statement

Atrium REIT Managers Sdn Bhd (“the Manager”), the Manager of Atrium Real Estate Investment Trust (“Atrium REIT”), has committed to apply most of the principles and best practices of good corporate governance practices in the overall management of Atrium REIT, as recommended in the Malaysia Code on Corporate Governance (“MCCG”).

The Manager recognises that an effective corporate governance culture is critical to achieve Atrium REIT’s performance and its continuing success. In particular, the Manager has an obligation to act honestly, with due care and diligence, and in the best interest of the unitholders of Atrium REIT.

In adopting the corporate governance principles and practices, the Manager was guided by the measures as set out in the Guidelines on Listed Real Estate Investment Trusts as issued by the Securities Commission (“REITs Guidelines”), the MCCG and the Main Market Listing Requirements (“Listing Requirement”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

This Corporate Governance Statement which provides an overview of the application of the principles set out in the MCCG is made pursuant to paragraph 15.25(3) of the Listing Requirements of Bursa Securities.

## ROLE OF MANAGER

### Manager of Atrium REIT

The Manager has general powers of management over the assets of Atrium REIT. The Manager’s main responsibility is to manage Atrium REIT’s assets and liabilities in the best interest of the Unitholders.

The primary role of the Manager is to set the strategic direction of Atrium REIT and give recommendations to Pacific Trustees Berhad (“Trustee”), as Trustee of Atrium REIT, on the acquisition, divestment and enhancement of the property assets of Atrium REIT in accordance with its stated investment strategy.

Amongst others, the general functions, duties and responsibilities of the Manager include the following:

- (a) to carry out the activities in relation to the management of Atrium REIT and its portfolio of assets in accordance with the provisions of the Restated Deed dated 24 March 2016 and amended by the Supplementary Deed dated 21 April 2016 (collectively known as “the Deed”);
- (b) to use its best endeavours to ensure that the business of Atrium REIT is carried out and conducted in a proper and efficient manner, and all transactions are to be undertaken on an arm’s length basis and on normal commercial terms;
- (c) to issue the annual report of Atrium REIT to the unitholders within two (2) months of its financial year end;
- (d) to attend to all enquiries from the unitholders, tenants, media, government bodies; etc;
- (e) to supervise the Property Manager which provides property management services in relation to Atrium REIT’s properties pursuant to the property management services agreement; and
- (f) to ensure Atrium REIT is in compliance with the applicable provisions of the REITs Guidelines, Listing Requirements of Bursa Securities and any other applicable laws.

Atrium REIT is managed by the Manager and accordingly, Atrium REIT has no personnel of its own. The Manager appoints experienced and well-qualified management personnel to handle the day-to-day operations.

Atrium REIT Managers Sdn Bhd is the appointed Manager of Atrium REIT in accordance with the terms of the Deed.

# Corporate Governance Overview Statement (cont'd)

## DIRECTORS OF THE MANAGER ("the Board")

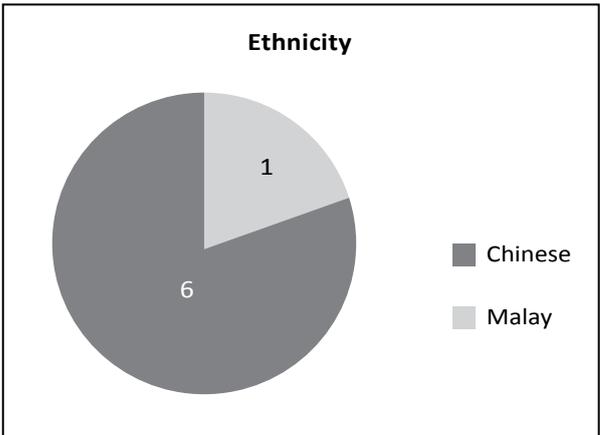
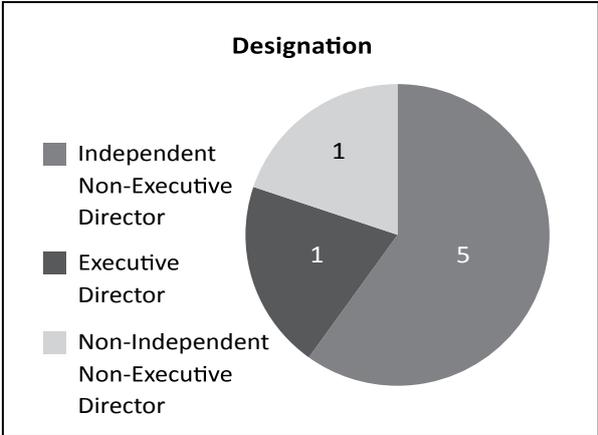
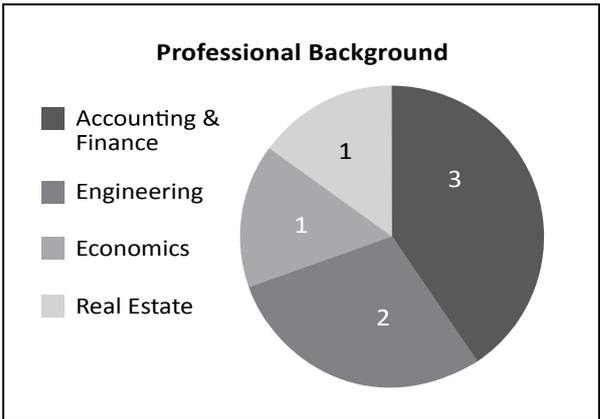
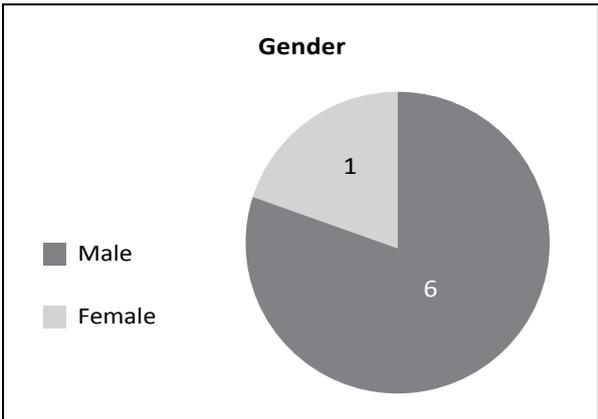
### The Board

The Board is responsible to oversee the competence of the management and promote good corporate governance culture of the Manager while establishing goals for the management and monitoring the achievement of these goals. The Board is also responsible to ensure that the strategic plan of the Manager supports the long-term value creation of Atrium REIT and has adopted the primary responsibilities as well as the roles and duties set out in the REIT Guidelines, which facilitate the discharge of the Directors' stewardship responsibilities.

### Board Composition

The Board presently consists of seven (7) members comprising one (1) Non-Independent Non-Executive Director, one (1) Executive Director and five (5) Independent Non-Executive Directors. The diverse background of the members who come from various fields such as engineering, financial, real estate and management provide a broad spectrum of skills, experience and invaluable perspectives to oversee the management of the Manager. The profiles of the members of the Board are provided on pages 34 to 36 of the Annual Report.

The Board diversity in terms of gender, ethnicity, professional background and experience are illustrated below:



The Board is of the view that its current members who as a group provide the necessary core competencies is adequate, and that the current Board size is appropriate, taking into consideration the nature, size and scope of Atrium REIT's operations.

# Corporate Governance Overview Statement (cont'd)

## Board Composition (cont'd)

The Chairman of the Board is responsible for the conduct of the Board and ensures that the Board's discussions are conducted in such a way that all views are taken into account and discussed at length before a decision is made. The Executive Director and the Chief Executive Officer, supported by the management team are responsible for running the business on a day-to-day basis, organizational effectiveness and implementation of the Board's policies, strategies and decisions as planned and in accordance with the Deed and REIT Guidelines. This clear separation of roles between the Chairman and the Chief Executive Officer, provides a healthy, independent and professional relationship between the Board and Management.

The Board focuses mainly on strategy, financial performance and critical business issues, such as:-

- Strategic business plans,
- Key financial performance indicators and budgets,
- Succession planning for senior management,
- Investors and unitholders relations programmes, and
- Risk management and internal control systems.

Independent Non-Executive Directors have the responsibility to ensure that strategic and corporate plans proposed by the Management are reviewed and challenged before being approved by the Board, after taking into account of Atrium REIT's long term interest, not only of the unitholders, but also of employees, customers, suppliers, and other stakeholders in which Atrium REIT conducts its business.

## Board Meetings

Board meetings are scheduled at least four (4) times per annum to review the operations of Atrium REIT and to approve the quarterly and annual financial statements of Atrium REIT. Additional meetings are held as and when urgent issues and important decisions need to be taken between the scheduled meetings.

The Board met four (4) times during the financial year ended 31 December 2019. The number of meetings attended by each Director is as follows:

Directors	Designation	Attendance
Dato' Dr Ir Mohamad Khir Bin Harun	Non-Independent Non-Executive Chairman	3/4
Wong Sui Ee	Executive Director	4/4
Chan Wan Seong	Independent Non-Executive Director	4/4
Chng Boon Huat	Independent Non-Executive Director	4/4
How Hu Son	Independent Non-Executive Director	4/4
Tor Peng Sie	Independent Non-Executive Director	4/4
Soong Kwong Heng	Independent Non-Executive Director	4/4

## Access to and Supply of Information and Advice

All Board members are supplied with information on a timely manner in order to discharge their responsibilities. The Agenda together with the full set of Board papers containing information relevant to the Board meeting are circulated to the Directors at least five (5) business days in advance of Board meetings, which is sufficient time for the Directors to review and seek clarification where necessary prior to the meeting being held and this process enables the Directors to make better and informed decisions.

There is a schedule of matters reserved specifically for the Board, including the approval of strategic plans and budgets for both the Manager and Atrium REIT, acquisition and disposal of major assets or investments, key policies, procedures and authority limits.

All Directors have access to the advice and services of the Company Secretary and has the right to seek independent professional advice when necessary in discharging their duties.

# Corporate Governance Overview Statement (cont'd)

## Appointments to the Board

The Executive Director makes recommendations on the requirement and suitability of candidates nominated for appointment to the Board and the final decision lies with the entire Board to ensure that the resulting mix of experience and expertise of members of the Board is balanced with representation from the relevant sectors of industry to provide optimal inputs to address the issues affecting the Manager and Atrium REIT.

## Directors' Remuneration

The remuneration of the Directors and all employees of the Manager are paid by the Manager and not by Atrium REIT. Nevertheless, the Board recognizes that the objective of the remuneration policy is to attract, retain and motivate the Directors to successfully carry out the Manager's and Atrium REIT's strategy and objectives. The Board believes that the remuneration should be sufficient to attract, retain and motivate the Directors of the necessary caliber, expertise and experience to manage the Manager's and Atrium REIT's operations.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board is responsible for ensuring that the financial statements give a true and fair view of the financial position of Atrium REIT as at 31 December 2019 and of its financial performance, the changes in net asset value and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

### Audit Committee

The Board has established an effective and independent Audit Committee ("AC") where the members of the AC comprised fully Independent Non-Executive Directors whilst the Chairman of the AC is not the Chairman of the Board. With the present Board structure and practice, the AC is able to objectively review Atrium REIT's financial statements, the Manager's internal control systems and risk management framework, and report its findings and recommendations to the Board.

### Relationship with Auditors

The Board maintains a transparent relationship throughout their association with the external auditors. The assessment on suitability (including experience of the firm and its staff assigned to conduct the audit and its resources), independence and objectivity of external auditors will be carried out by the AC. After due assessment, the AC will recommend to the Board the re-appointment of the external auditors as well as its remuneration, for its onward recommendation to the Trustee for approval.

## AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid or payable (excluding government taxes and out of pocket expenses) to the external auditors for the financial year ended 31 December 2019 are as follows:-

	RM
Audit	32,000
Non audit	25,000

# Corporate Governance Overview Statement (cont'd)

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining a sound risk management and internal control systems, to safeguard the investments of the unitholders and the assets of Atrium REIT. The Board has delegated to the AC to review the effectiveness of the Manager's risk management and internal control framework, which covers financial control, operational and regulatory compliance.

The Board has also received assurances from the Chief Executive Officer and the Chief Financial Officer that the risk management framework and internal controls system of Atrium REIT are operating adequately and effectively, to manage significant risks.

The Statement of Risk Management and Internal Control furnished on pages 47 of the Annual Report provides an overview of the state of control within the Manager.

## RELATED PARTY TRANSACTIONS

The Manager commits to comply with all requirements in relation to related party transactions, as laid out in the REIT Guidelines, the Deed and the Listing Requirements.

The Manager has established policy and procedures to monitor, track and identify all related party transactions in a timely and orderly manner. The procedures are sufficient to ensure that all related party transactions are conducted on an arm's length basis, and on transaction prices and terms not more favourable to the related parties than generally available to third parties.

The AC together with the management reviews all the related party transactions to ensure compliance with the related party procedures, relevant provisions of the Deed, REITs Guidelines and the Listing Requirements. The review includes examination of the nature of the transaction and such other information as requested by the AC. If a member of the AC has an interest in a transaction, he is to disclose and abstain from participating in the review and the recommendation process in relation to the transaction.

During the FY19, the Trustees on behalf of Atrium REIT, entered into a conditional sale and purchase agreement to acquire parcels of land with building(s) erected thereon held under H.S. (D) 172494 and H.S. (D) 167421, Town of Shah Alam, Mukim of Damansara, District of Petaling and State of Selangor Darul Ehsan ("Property") from Permodalan Nasional Berhad ("PNB") ("Proposed Acquisition").

Pacific Landmark Real Estate Agent ("Pacific"), which was appointed by PNB to facilitate the disposal of the Property, is owned by Mr. Tor Peng Sie, an independent director of the Manager. Therefore, the commission to be derived by Pacific upon the completion of the Proposed Acquisition is deemed a related party transaction pursuant to the Listing Requirements of Bursa Securities.

Mr. Tor Peng Sie had accordingly abstained during the Board's deliberations and voting on the Proposed Acquisition and will continue to abstain from all Board deliberations and voting on matters relating to the Proposed Acquisition.

## WHISTLE BLOWING POLICY

The Board has put in place a whistle blowing policy to provide employees of the Manager or member of the public, with defined and accessible channels to report genuine concerns in relation to fraud, corruption, dishonest practices or breach of legal obligation in relation to Atrium REIT or the Manager. The policy also include procedures of investigating whistle blowing reports.

The aim of the whistle blowing policy is to encourage the reporting of such concerns in good faith, where the identity of the whistle-blower will be protected and kept confidential, and without the risk of reprisal.

The whistle blowing policy is available on Atrium REIT's website.

# Corporate Governance Overview Statement (cont'd)

## COMMUNICATION WITH UNITHOLDERS AND INVESTORS

The Board acknowledges and appreciates the importance of regular communication with the unitholders and investors to ensure that they are well informed of the activities and performance of Atrium REIT. The communication channels are via annual reports, quarterly financial reports and the various disclosures and announcements on the Bursa Securities' website.

Another principal avenue of communication with its unitholders is Atrium REIT's Annual General Meeting ("AGM"), which provides a useful platform for the unitholders to engage directly with the Board, the Manager, the Trustee and the External Auditors. At the last AGM, the Company had given the Notice of Seventh AGM more than twenty-eight (28) days prior to the meeting and the Board members attended the said AGM. The Chairman also provided sufficient time and opportunities for the unitholders to seek clarifications from the Chairman, Board members and management on all issues pertaining to Atrium REIT's business and performance.

Atrium REIT has also established a corporate website, [www.atriumreit.com.my](http://www.atriumreit.com.my), for the unitholders and the public to access for corporate information and latest business development of Atrium REIT.

## OTHER INFORMATION

### Sanction and/or Penalty

There was no public sanction and/or penalty imposed on Atrium REIT, the Manager and the Directors of the Manager by the relevant regulatory bodies during the financial year ended 31 December 2019.

### Family Relationship with any Director and/or Major Unitholder

None of the Directors of the Manager has any family relationship with any other Directors or Major Unitholders.

### Material Litigation

There is no material litigation pending since the issuance of the last annual report up to the date of this report except as disclosed below:

Kuala Lumpur High Court  
(Civil Division)  
Suit No: WA-22NCvC-780-11/2018

Pacific Trustees Berhad  
(acting as Trustee on behalf of Atrium REIT) ...Plaintiff

Biforst Logistics Sdn Bhd ...Defendant

The above legal suit was filed by the Trustees on behalf of Atrium REIT to recover the outstanding rentals, utilities, repairs and maintenance costs and all incidental costs and expenses in relation to the tenancy for Atrium Puchong.

### Changes in the State of Affairs

There was no change in the state of affairs of Atrium REIT during the financial year under review.

### Conflict of Interest

Save for the Directors of the Manager's interest in Atrium REIT (as disclosed under Directors' Interest in the Manager's Report), no conflict of interest has arisen during the financial year under review.

# Corporate Governance Overview Statement (cont'd)

## **Convictions for Offences**

None of the Directors of the Manager have been convicted for offences (other than traffic offences) within the past 5 years.

## **Material Contracts**

Save as disclosed above, there were no material contracts entered by Atrium REIT that involved the Directors of the Manager or Substantial Unitholders of Atrium REIT during the financial year under review.

## **Directors' Training**

The Directors are encouraged to attend briefings and seminars to keep abreast with the latest developments in the industry. During the year, the Directors attended various courses/seminars related to their responsibilities and developments in the industry. Details of the courses / seminars attended by the Board are as follows:

- The Legend of Huawei and Xiaomi;
- World Market Outlook and Sector Analysis; and
- MRMA-APREA Malaysia REIT Forum 2019

# Statement of Risk Management and Internal Control

The Board of Directors (“the Board”) of Atrium REIT Managers Sdn Bhd, the Manager (“the Manager”) of Atrium Real Estate Investment Trust (“Atrium REIT”) is committed to maintain a sound and effective risk management and internal control system and for reviewing the adequacy and effectiveness of the system. The Board recognises that the system is designed to manage rather than eliminate, the risks of not adhering to the Manager’s policies and business objectives within the risk tolerance established by the Board and the Manager. Therefore, the system provides reasonable but not absolute assurance against the occurrence of any material misstatement, loss, fraud or breaches of laws and rules.

The Board has outsourced the review of the Manager’s internal control and risk management processes to an independent internal auditor firm (Internal Auditors) which reports the results of the review to the Audit Committee (“AC”).

## INTERNAL CONTROL

The Board acknowledges that it has a responsibility to maintain a sound and effective system of internal control in order to meet the business objectives of the Manager. The business objectives, amongst others, is to manage Atrium REIT by achieving its mission, i.e. to maximise 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.

### Key Features of the Internal Control System Established

- **Organisation Structure and Authorisation Procedures**

The Manager maintains a formal organisation structure with delegation of responsibilities and accountability within the Manager’s Senior Management and staff. It sets out the roles and responsibilities, authority limits, review and approval procedures for the Manager’s various operations.

- **Company Policies and Procedures**

The Manager has documented policies and procedures that are being reviewed and updated to ensure consistency in maintaining the efficiency and effectiveness of the business activities of the Manager and Atrium REIT at all times.

- **Financial and Operational Review**

Board meetings are held on a quarterly basis to discuss and review the business planning, budgeting, financial and operational performances. The quarterly financial statements of the Manager and Atrium REIT containing key financial results, operational performance results and comparisons of performance against budget are presented to the Board for review, consideration and approval.

- **Business Planning and Budgeting Review**

The Board discusses and reviews the business plan, strategies, performance and challenges faced by the Manager and Atrium REIT.

## RISK MANAGEMENT

The Board has established a risk management framework for identifying, evaluating, monitoring and reporting of risks. The responsibilities of the Board include reviewing the risk management framework and ensure that the risks are managed within the tolerable limits set. The Board has delegated its role in the review process to the AC.

Responsibility of management include identifying risks that are relevant to Atrium REIT and the achievement of its objectives and strategies, as well as monitoring the risk management framework in accordance with Atrium REIT’s strategies and risk appetite.