

# 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 utmost 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:-

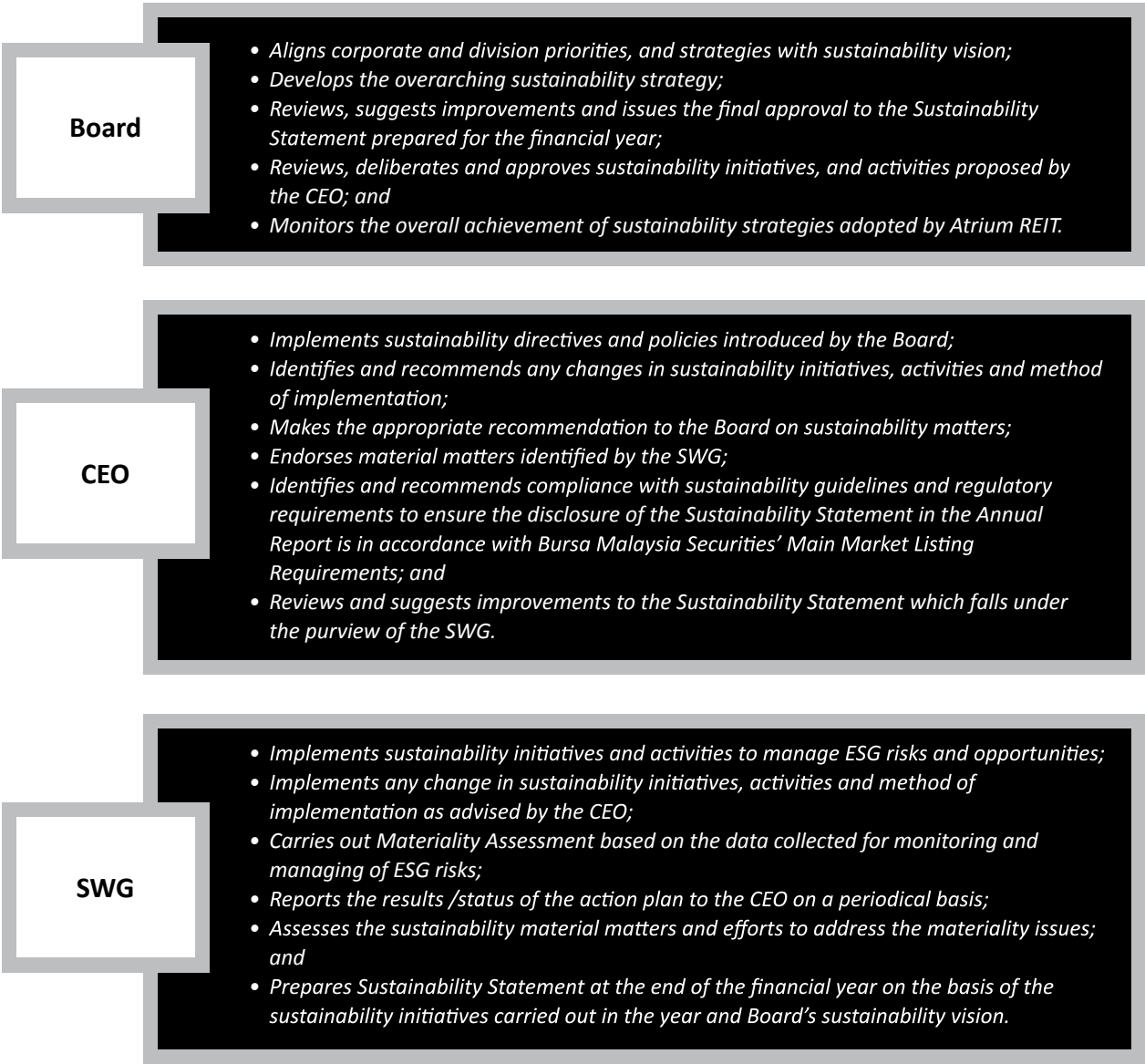
### Business Mission

*“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.”*

# Sustainability Statement (cont'd)

## GOVERNANCE STRUCTURE

Atrium REIT practises a three-tier reporting structure with regards to sustainability governance. With the Board of Directors (“Board”) at the apex, sustainability strategies and initiatives of Atrium REIT are headed by the Chief Executive Officer (“CEO”) and supported by the Sustainability Working Group (“SWG”). The roles and responsibilities of each tier of the governance structure is as follows:-



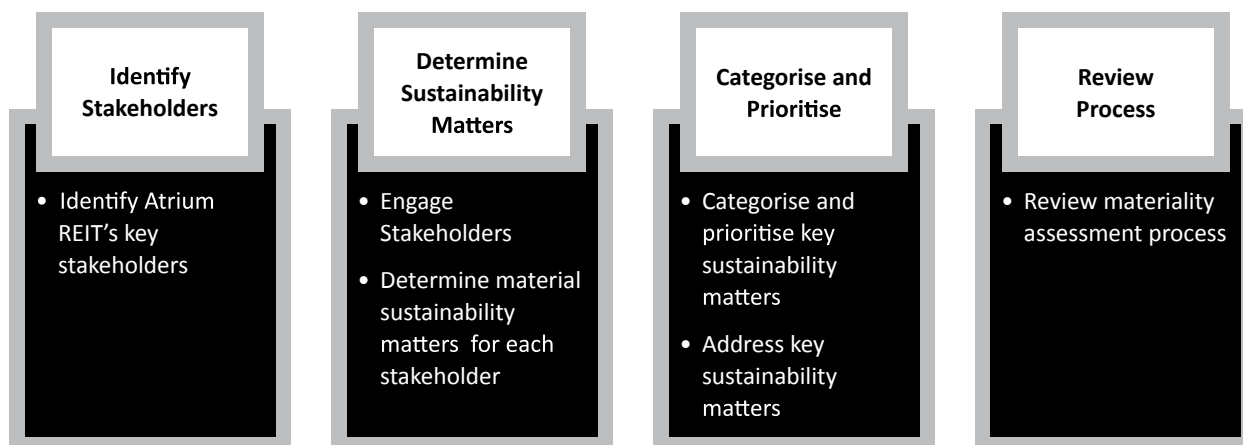
## MATERIALITY ASSESSMENT

In tandem with our Sustainability Vision, Atrium REIT always ensures both the internal and external stakeholder’s perspectives are taken into consideration in identifying and addressing key sustainability matters which are material to Atrium REIT as well as the Manager’s business operations.

# Sustainability Statement (cont'd)

## MATERIALITY ASSESSMENT (cont'd)

The materiality assessment process adopts a four-step approach as outlined below:



## OUR STAKEHOLDERS

We have always taken great pride in our ability to develop strong, meaningful and long-lasting relationships with our diverse group of stakeholders, who have supported us to-date. Through our stakeholder management process, various communication channels has been designed to allow us to regularly engage with our stakeholders to keep abreast of their needs and interests.

A summary of our key stakeholders and how we engage them through the year, is presented below:

| No | Key Stakeholders          | Key Expectations  | Engagement Channel  | Frequency  | Addressing Expectations   |
|----|---------------------------|---|---|--|---|
| 1  | Unitholders/<br>Investors | <ul style="list-style-type: none"> <li>Stable and sustainable distribution of income;</li> <li>Financial performance;</li> <li>Corporate governance;</li> <li>Investor relationship management;</li> <li>Timely and transparent reporting; and</li> <li>Prudent risk management.</li> </ul> | <ul style="list-style-type: none"> <li>Annual general meeting;</li> <li>Unitholders' meeting;</li> <li>Annual report;</li> <li>Interim financial announcements;</li> <li>Corporate announcements;</li> <li>Meetings with analyst, fund managers and investors; and</li> <li>Website.</li> </ul> | <ul style="list-style-type: none"> <li>Yearly</li> <li>Yearly or when required</li> <li>Yearly</li> <li>Quarterly reporting</li> <li>On-going</li> <li>On-going</li> <li>On-going</li> </ul> | <ul style="list-style-type: none"> <li>Voluntary disclosures on earnings outlook, business strategies and segmental outlook on a quarterly basis to facilitate the investment community in making informed investment decisions;</li> <li>Immediate communication on material developments through meetings, announcements, media and website releases; and</li> <li>Robust risk management framework with periodic evaluations to encompass the latest potential risks identified with corresponding mitigation action plans.</li> </ul> |
| 2  | Trustee                   | <ul style="list-style-type: none"> <li>Annual return;</li> <li>Financial performance; and</li> <li>Sustainable growth and fund stability.</li> </ul>  | <ul style="list-style-type: none"> <li>Annual general meeting;</li> <li>Extraordinary general meeting; and</li> <li>Website.</li> </ul>   | <ul style="list-style-type: none"> <li>Yearly</li> <li>Yearly</li> <li>On-going</li> </ul>   |   |

# Sustainability Statement (cont'd)

## OUR STAKEHOLDERS (cont'd)

| No | Key Stakeholders                           | Key Expectations   | Engagement Channel  | Frequency   | Addressing Expectations   |
|----|--|--|---|---|---|
| 3  | Tenants                                    | <ul style="list-style-type: none"> <li>• Tenant engagement and support;</li> <li>• Business activity and ethics; and</li> <li>• Conducive operating environment.</li> </ul>  | <ul style="list-style-type: none"> <li>• Contract agreement;</li> <li>• One-on-one meetings;</li> <li>• Direct and immediate communication (i.e. through telephonic discussions and emails); and</li> <li>• Joint inspection with property managers.</li> </ul> | <ul style="list-style-type: none"> <li>• On-going</li> <li>• On-going</li> <li>• On-going</li> <li>• Bi-annual inspections</li> </ul> | <ul style="list-style-type: none"> <li>• All requests and feedbacks are reviewed and attended to in a timely manner by the Manager;</li> <li>• Adherence to best practices, highest standards of business integrity and commitment to integrity pact;</li> <li>• Affirm operational health and safety practices; and</li> <li>• Continuous endeavors in improving quality of building for tenant satisfaction.</li> </ul> |
| 4  | Suppliers, Contractors & Service Providers | <ul style="list-style-type: none"> <li>• Fair treatment; and</li> <li>• Transparent procurement process.</li> </ul>  | <ul style="list-style-type: none"> <li>• Contract agreement;</li> <li>• One-on-one meetings; and</li> <li>• Direct and immediate communication (i.e. through telephonic discussions and emails).</li> </ul>   | <ul style="list-style-type: none"> <li>• On-going</li> <li>• On-going</li> <li>• On-going</li> </ul>                                  | <ul style="list-style-type: none"> <li>• Professional and transparent procurement policies and procedures.</li> </ul>   |
| 5  | Board of Directors & Employees             | <ul style="list-style-type: none"> <li>• Fair remuneration;</li> <li>• Career development;</li> <li>• Work-life balance;</li> <li>• Staff wellbeing;</li> <li>• Employee benefits; and</li> <li>• Safe and conducive workplace.</li> </ul> | <ul style="list-style-type: none"> <li>• Training and development; and</li> <li>• Festive celebrations.</li> </ul>  | <ul style="list-style-type: none"> <li>• On-going</li> <li>• On-going</li> </ul>  | <ul style="list-style-type: none"> <li>• Benchmarking against market remuneration packages and practices;</li> <li>• Constant engagement with employees to understand their professional needs and requirements;</li> <li>• Organising training and development initiatives for employees for their career development; and</li> <li>• Organising social events for the mental wellbeing of employees.</li> </ul>         |
| 6  | Regulatory Authorities                     | <ul style="list-style-type: none"> <li>• Regulatory compliance; and</li> <li>• Keeping abreast with policy and regulatory changes.</li> </ul>  | <ul style="list-style-type: none"> <li>• Attending talks and conferences organised by regulators.</li> </ul>  | <ul style="list-style-type: none"> <li>• On-going</li> </ul>  | <ul style="list-style-type: none"> <li>• Adherence and compliance to all legislations and guidelines.</li> </ul>  |

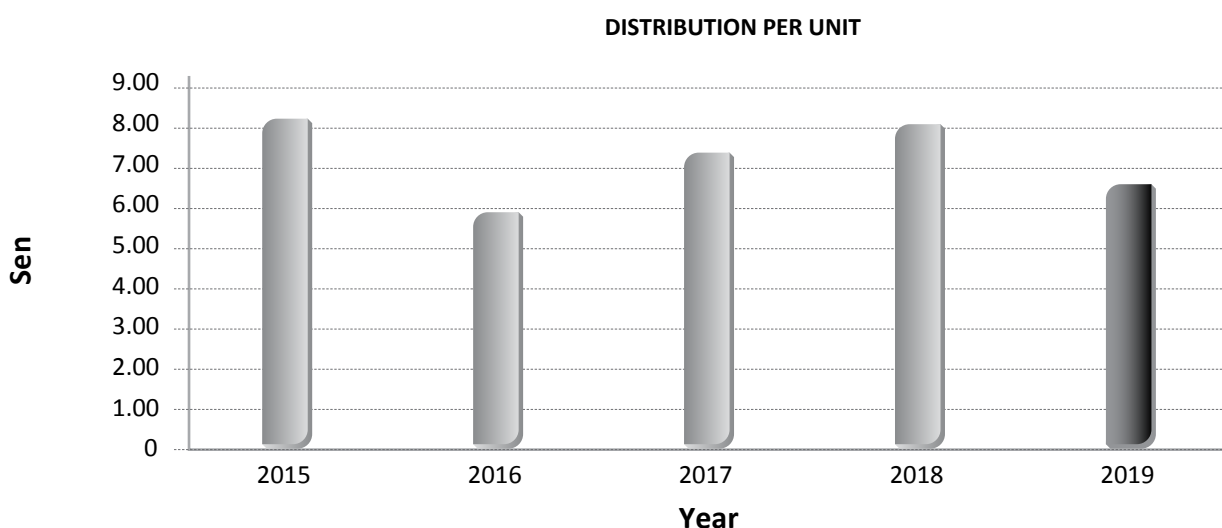
# Sustainability Statement (cont'd)

## BUSINESS EXCELLENCE & STABILITY

In line with our business mission, Atrium REIT endeavors to maintain regular and stable distributions as well as to achieve long term growth in the Net Asset Value of Atrium REIT through good corporate governance practices, prudent financial management and sustainable management practices.

For a REIT that is essentially industrial-asset focused, we have successfully established ourselves in this market over the last 12 years by providing annual stable distributions to our Unitholders. Staying relevant in the niche and dynamic market has contributed to the success of Atrium REIT.

An illustration of the distribution per unit provided by Atrium REIT to its Unitholders over the last five (5) years, is presented below:-



To continue staying competitive in the REIT industry, Atrium REIT has been actively growing its total asset value by undertaking land acquisitions for Greenfield projects as well as Asset Enhancement Initiatives (“AEIs”), to meet tenants’ increasing demands.

We consider this investment necessary in promoting our business’ viability, feasibility and sustainability by catering to our tenant’s needs.

## FOSTERING STRONG RELATIONSHIPS

Core to our business success is our ability to foster and nourish strong long-lasting relationships with our diverse group of stakeholders, through active stakeholder management processes.

Over the years, we have embarked on various AEIs for our real estate assets to provide enhanced value to our stakeholders. Continuous improvements on the quality of our assets and services are also carried out to ensure optimal tenant satisfaction and retention.

In addition to the above, bi-annual visits are also performed together with the Property Manager to ensure that the Manager is meeting the expectations of Atrium REIT’s tenants, besides addressing the latter’s concerns through telephonic and email communications.

Relationship with Unitholders, investors and trustees are maintained via the updates provided during the Annual General Meeting (“AGM”) as well as periodic meetings as and when they are required for further updates.

# Sustainability Statement (cont'd)

## HEALTH AND SAFETY

Given the nature of our business model, we believe that the safety and conduciveness of our real estate assets is an integral part of our business operations. Consequently, our long term success depends primarily on the safety of our tenants and their respective employees.

As a stepping stone, we ensure all our tenanted premises has been issued with Certificate of Compliance and Completion (“CCC”) and/or Certificate of Fitness of Occupation (“CFO”). This is to ensure our real estate assets have met all statutory requirements with regards to health and safety aspects and is ready to be occupied.

Subsequent to the above, a bi-annual joint inspection of the properties would also be conducted by the Property Manager, in the presence of the Manager and tenants, to ascertain the general condition of the buildings, identify any defects or deterioration, assess the integrity of the safety feature, identify areas of improvements and, assess the mechanical and electrical (“M&E”) systems.

Notwithstanding the above, our properties are equipped with basic firefighting systems and lighting protection systems to prevent any calamity from happening, thus creating a safe working environment for our tenants and their employees.

Whilst the onus of maintenance of properties is with the respective tenant, Atrium REIT would undertake the following responsibilities, in addition to the bi-annual inspection, as part of its commitment to providing a safe and conducive working environment to its tenants:-

- The provision of security services for multi-tenanted premises; and
- The hiring of certified charge men to assess the safety and maintenance of electrical wiring and installations, upon tenant’s request. Contractors would be hired as well to perform monthly checking of incoming power supply and to attend to any power outage at all premises.

## ENVIRONMENT

Various initiatives and efforts have been embarked on to cultivate an eco-friendly environment.

Besides adopting a cultural approach to promote sustainability, the following features are installed in our real estate assets in an effort to contribute towards long-term environmental stewardship:-

| No. | Sustainability Feature  | Benefit   |
|-----|---|---|
| 1   | T-5 lighting system at all real estate assets                               | A more energy efficient and cooler lighting system compared to the traditional highbay lighting system. |
| 2   | Vertical translucent sheets at the wall intervals of all real estate assets | An energy efficient roofing system that allows natural light into the building.                         |

## MALAYSIA FOR MALAYSIAN

As a Malaysian-rooted entity, we have a team of Senior Management comprising of 100% Malaysians, who possess appropriate qualifications, skillsets and experience to operate the REIT based on Malaysia’s socio-economic condition, cultural diversity and values.

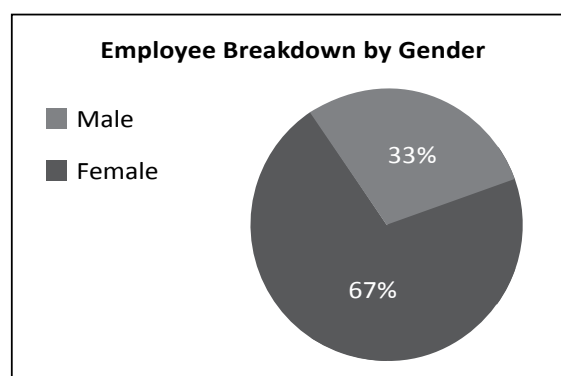
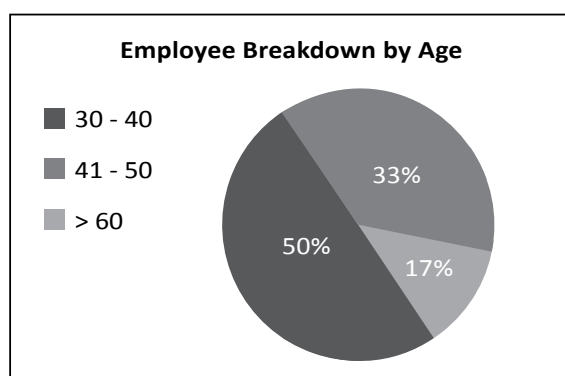
## HUMAN CAPITAL MANAGEMENT

We continue to focus on driving the career development, productivity, and opportunities of our talents as we reckoned that our talents are the impetus behind our business operations.

# Sustainability Statement (cont'd)

## DIVERSITY AND EQUAL OPPORTUNITIES

In this age of disruption and intensive change, we continue to believe that a diverse workforce and inclusive workplace is essential to achieving our goals. The diversity of our people promotes productivity and innovation. Diversity allows us to strategically and effectively respond to increasing demands and expectations of our various stakeholders.



As shown by the chart above, it is apparent that we are trying to make a paradigm shift from a male dominated organisation to one that encourages more female involvement, as demonstrated in the 33% female employee composition.

By moving away from gender stereotyping, Atrium REIT has been benefiting from different points of view, ideas and market insights. A multiplicity of perspectives sparks creativity and innovation, and encourages the organisation to spot and seize new opportunities in today's fast-changing business world.

On the other hand, 50% of our employees falls within the age bracket of 30 to 50 years'. We ensure our employees are employed solely based on their merits and capabilities to avoid nepotism and discriminatory employment practices, whilst promoting a culturally diverse and knowledgeable workforce.

## BOARD COMPOSITION

To continue staying relevant in today's dynamic business environment, Board diversity is no longer a checklist requirement to be filled to appease the regulatory bodies. Instead, Board diversity is now a necessity given the complex issues today's boards are facing.

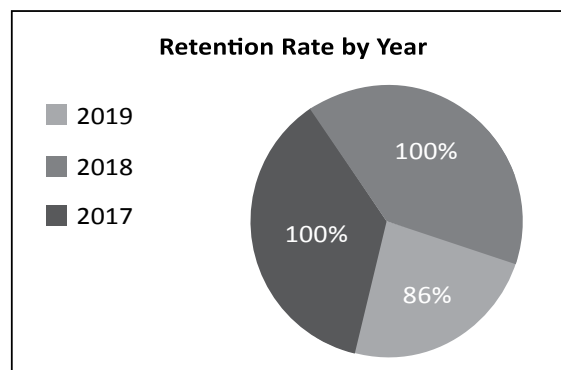
Atrium REIT realises that a boardroom filled with multiple perspectives lets creativity rule and does not make room for groupthink.

Hence, Atrium REIT has a diverse Board, in the best of its capacity at the moment, in terms of gender, ethnicity and professional background as explained in pages 34 to 36 of the Annual Report. This thus encourages comprehensive oversight and promotes better decision making process, based on robust discussions and deliberations.

## TURNOVER RATE

As shown by the chart on the right, our retention rates fell by 14% in FY2019, with our Commercial Director leaving our team.

Despite the drop in retention rate, we wish to highlight that our employment policies and practices abide by the Employment Act 1995 and other legal statutory provisions. We also wish to assure our stakeholders that our business practices are in compliance with the Malaysian Minimum Wage Order 2018 and we shall continue to comply with the same order throughout our operations.



# Sustainability Statement

## TURNOVER RATE (cont'd)

Likewise, we ensure our employees are fairly compensated with remuneration packages that are competitive within the domestic REIT industry as we acknowledge the fact that fair remuneration contributes to higher employee satisfaction and talent retention, besides having a positive impact on the employees' efficiency and performance.

## EMPLOYEE ENGAGEMENT

Various events such as lunches and gatherings are organised throughout the year for the employees of Atrium REIT to foster greater cohesion and promote camaraderie amongst the employees.

## TRAINING & DEVELOPMENT

We always encourage continuous development of our talents to nurture their capabilities and enhance personal skills through attending training and development programmes.

For FY2019, the Manager had sponsored three ("3") courses which were attended by its Senior Management team. These courses discussed the latest economic outlooks for global markets, business model and recent performance of the manufacturing industry as well as explored the latest developments in the Malaysian REIT market and the benefits and strategies of realising the value of assets through a REIT.

## BUSINESS ETHICS AND EMPLOYEE CONDUCT

As we embark on Atrium REIT's sustainability journey, we stay firm with the belief that good governance is critical for an organisation to achieve long term business sustainability and excellence.

## REGULATORY COMPLIANCE

A strong sense of compliance culture has been integrated within our business by observing legal and regulatory requirements, and internal procedures. To ensure our business activities are in compliance with the regulatory guidelines and requirements, a compliance review on the following was conducted by an outsourced Internal Auditor, and found to be satisfactory:

- a) Securities Commission Malaysia's Guidelines on Listed REITs and
- b) Bursa Malaysia Securities Berhad's Main Market Listing Requirements relating to REITs.

## BUSINESS ETHICS AND CORPORATE POLICIES

Atrium REIT's employees are also regularly updated on all corporate policies and guidelines adopted by the Manager through various channels including mandatory induction programmes (for new employees) and trainings.

Our commitment to embrace good business ethics is reflected in the implementation of the following corporate policies:-

| <b>Code of Ethics and Conducts</b>  | <b>Fraud Policy</b>   | <b>IT Policy</b>   | <b>w histleblowing Policy</b>   |
|---|---|--|---|
| Outlines specific conduct requirements including the following : <ul style="list-style-type: none"><li>• General business ethics</li><li>• Conflict of interest</li><li>• Confidentiality information</li><li>• Gifts and entertainment</li></ul> | Facilitates the development of controls, which will aid in detection and prevention of fraud. | Facilitates and supports authorised access to Company's information. | Facilitates investigations of allegations of corruption, fraud, and misconduct, besides protecting against possible reprisals or victimisation from disclosures made in good faith. |