

## 1.0 INTRODUCTION

- 1.1 IGB Real Estate Investment Trust (IGB REIT) is a collective investment scheme constituted as a unit trust and regulated by the Securities Commission Malaysia (SC) pursuant to the provisions of SC's Guidelines on Real Estate Investment Trusts (REIT Guidelines) and the Capital Markets and Services Act 2007 (CMSA) as well as the Bursa Malaysia Securities Berhad's (Bursa Securities) Main Market Listing Requirements (MMLR). IGB REIT was established on 25 July 2012 and listed on the Main Market of Bursa Securities on 21 September 2012.
- 1.2 This Board Charter is subject to and shall be interpreted in a manner consistent with the deed of trust (Deed) dated 18 July 2012 entered into between IGB REIT Management Sdn Bhd (Manager) and MTrustee Berhad (Trustee), constituting IGB REIT. The Manager and the Trustee are independent of each other. The Trustee is responsible for the safe custody of the assets of IGB REIT on behalf of unitholders, whereas the Manager has the general power of management over the assets of IGB REIT with a focus on generating rental income and enhancing asset value over time so as to maximise the returns from the investments, and ultimately the distributions to unitholders. The Manager holds a Capital Markets Services Licence issued by SC to carry on the regulated activity of fund management in relation to asset management.
- 1.3 The Board of Directors (Board or Directors) of the Manager recognises that well-defined corporate governance processes are essential in enhancing corporate accountability and long-term business sustainability, and remains committed to ensuring good governance practices in its overall management of IGB REIT to preserve and maximise unitholders' value.

The Board is the focal point of the corporate governance system. The Board is accountable and responsible for the performance and affairs of the Manager and IGB REIT. All Board members are expected to show good stewardship and act in a professional manner, as well as upholding the core values of integrity and enterprise with due regard to their fiduciary duties and responsibilities.

## 2.0 OBJECTIVES

The objectives of this Charter are to ensure that Directors acting on behalf of the Manager and IGB REIT are aware of their roles and responsibilities as Board members and the various legislations and regulations affecting their conduct, and that the principles and practices of good governance are applied in their dealings in respect, and on behalf of the Manager and IGB REIT. This Charter sets out the authority, role and responsibilities, structure and processes of the Board and its Committees, adopting principles of good governance and practice, in accordance with applicable laws in Malaysia.

The Board shall review and assess the adequacy of this Charter from time to time to reflect changes to the Board policies, procedures and processes as well as any development in statutes and regulations that may have an impact on the discharge of the Board's duties and responsibilities. Any subsequent amendment to this Charter can only be approved by the Board.

The principles set out in this Charter shall be summarised in IGB REIT's annual report as part of a narrative statement of corporate governance by the Directors.

## 3.0 THE BOARD

### 3.1 Role

The Board's role is to –

- (a) set objectives, goals and strategic plans for the Manager and IGB REIT with a view of maximising unitholders' value;
- (b) formulate policies and oversee the proper conduct of the Manager (including budgeting approval and all other financial matters);
- (c) oversee the conduct of the assets under IGB REIT's portfolio to evaluate whether they are properly managed;
- (d) consider management's recommendations on key issues including acquisitions, divestments, funding and significant capital expenditure;
- (e) oversee the risk management processes, internal compliance controls and integrity of management information systems of the Manager and IGB REIT;
- (f) set, review and monitor compliance with the Manager's and IGB REIT's values and governance framework (including establishing and observing high ethical standards);
- (g) oversee communications with unitholders, in accordance with the Operations Manual of IGB REIT, with the aim of keeping them informed of the performance of IGB REIT and major developments affecting its state of affairs; and
- (h) determine and approve the distribution amounts to unitholders.

### 3.2 Duties and Responsibilities

The Board assumes, among others, the following duties and responsibilities:

- (a) approve management development of corporate strategy, including setting performance objectives and approving operating budgets;
- (b) monitor corporate performance and implementation of strategy and policy;
- (c) approve major capital expenditure, acquisitions and divestitures, and monitor capital management;
- (d) review, ratify and monitor systems of risk management and internal control and ethical and legal compliance. This includes reviewing procedures to identify the main risks associated with businesses of the Manager and IGB REIT, including those related to sustainability and the implementation of appropriate systems to manage these risks;
- (e) review management processes aimed at monitoring the integrity of financial and other reporting;
- (f) approve new appointments to the Board having regard to the current competency requirements of the Manager and the desirable skills, qualifications and experience of potential new appointees. This duty is discharged by Nomination Committee (NC);
- (g) select, appoint and evaluate from time to time the performance of, determine the remuneration of, and plan succession of, the Managing Director (MD) and Executive Directors (EDs) (collectively, Executive Board), as well as the Chief Executive Officer (CEO);
- (h) approve the establishment of Board Committees and determine their mandates and amendments to such terms;
- (i) oversee NC's assessment and review of the performance of the Board, its Committees and individual Directors annually;
- (j) develop criteria to measure and assess independence of Independent Non-Executive Directors (INEDs);
- (k) approve the annual fees and meeting allowances of Non-Executive Directors (NEDs), subject to NEDs' fee pool approved by shareholders of the Manager.
- (l) oversee Audit Committee's (AC) evaluation of external auditors' performance and ongoing independence.
- (m) develop and review environmental, economic, social and corporate governance principles and policies; and
- (n) perform such other functions as are prescribed by law or are assigned to the Board.

### 3.3 Conduct of affairs

To discharge its responsibilities and to facilitate its ongoing oversight of the Manager and IGB REIT, the Board may delegate any of its power to a Committee, a Director, employee or other person subject to ultimate responsibility of the Directors.

The Manager has in place a set of internal guidelines which sets out authority limits for, among others, funding and capital expenditure, new investments and divestments and operation of bank accounts. The Board shall approve transactions exceeding certain limits, while delegating authority for transactions below those limits to Executive Board and management to facilitate operational efficiency, in accordance with applicable authority limits.

### 3.4 Membership and Term

#### (a) Board Composition and Diversity

The Board shall determine its size and composition, subject to limits imposed by the Manager's constitution. The constitution provides for a minimum of 2 Directors and a maximum of 10 Directors. At any one time, at least 2 or one-third, whichever is higher, of the Board members are INEDs.

The Board should consist of qualified individuals with diverse set of skills, expertise, experience and knowledge necessary to govern the Manager and to contribute to the proper guidance of IGB REIT. The Board should be of a size and composition that is conducive to making decisions expediently, with the benefit of a variety of perspectives and skills, and in the best interests of the Manager and IGB REIT.

NC shall oversee and report annually to the Board its assessment on the structure, size and composition of the Board having regard to the optimum number and skill mix of Directors to ensure its appropriateness.

#### (b) Performance Assessment

The Board with the guidance of NC shall review and evaluate its own performance and the performance of its Committees as well as the contribution of each Director on an annual basis against both measurable and qualitative indicators, thus

ensuring the Manager is under the oversight and guidance of an accountable and competent Board. NC will consider the balance of diversity requirements and representation on the Board, including gender and other factors relevant to its effectiveness. The assessment shall be discussed with the full Board each year. The assessment shall focus on the Board's contribution to the Manager and specifically focus on areas which the Board believes that it could improve.

(c) Appointment and Re-election

The Manager shall comply with the regulations and the laws governing the appointment and re-election of Directors in addition to the provisions of its constitution.

The appointment of a new Director is a matter for consideration and decision by the full Board on the recommendation of NC. There are formal, considered and transparent procedures for appointment of new Directors which is made on merit against objective criteria and with due regard for the benefits of diversity on the Board.

The constitution requires one-third of the Board except MD to retire and stand for re-election at every AGM. Board's support for a Director's re-election is not automatic and is subject to the satisfactory assessment of performance by NC. NC, in making a recommendation to the Board, shall have regard to the need for the Director continued invaluable contribution to the Board and the Manager when deciding whether the Director concerned should be proposed for re-election.

The directorships held by any Board member in listed issuers any one time shall not exceed the limit prescribed by MMLR.

(d) Independence of INED

A Director is independent if such director is free from any interest and any business dealing or other relationship that could, or could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the Manager and IGB REIT. Family ties and cross-directorships may be relevant in considering interests and relationships which may compromise independence, and should be disclosed by Directors to the Board.

INEDs are best able to determine if they have an interest or relationship which is likely to impact on their independence. As such, each INED is expected to disclose to the Board immediately if he/she believes they may no longer be independent.

The Manager measures the independence of its INEDs based on the criteria prescribed under MMLR in which an INED should be independent of management and free from any business or relationship that could interfere with the exercise of independent judgement or the ability to act in the best interests of the Manager and IGB REIT. Each INED shall provide an annual confirmation of his or her independence to the Board.

The Board with the guidance of NC shall, on an annual basis, assess the performance of each INED. If a Director ceases to satisfy the criteria for independence as specified in MMLR, this will be disclosed to Bursa Securities.

(e) Term Limits

The Board does not believe it should establish term limits. Term limits carries the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight into the business and affairs of the Manager and IGB REIT and therefore, provide an increasing contribution to the Board as a whole.

### 3.5 Board Chairman, MD and CEO

The Board is empowered by the Manager's constitution to appoint a Chairman of the Board and to determine the period for which he or she holds office. The Board has a preference for an independent, non-executive Chair of the Board, but is prepared to consider exceptions that would be in the best interests of the Manager and IGB REIT.

The roles of Board Chairman, MD and CEO shall be distinct and separate to ensure there is a balance of power and authority to facilitate effective oversight and clear segregation of duties. Board Chairman assumes responsibility for the management of the Board and ensures that members of the Board and management work together with integrity and competency, and that the Board engages management in constructive debate on strategies, business operations, enterprise risks and other plans. MD as a representative of the Board, together with CEO, is accountable to the Board and responsible over the business direction and the strategy implementation of the Manager and IGB REIT. CEO has the overall responsibility for the day-to-day operational management of the Manager and IGB REIT, including execution of the agreed business policies and directions set by the Board and of all operational decisions in managing the Manager and IGB REIT.

## 4.0 BOARD COMMITTEES

The Board may from time to time establish standing and ad hoc Committees as it considers necessary or appropriate to assist in the execution of its responsibilities. Committee members shall be appointed by the Board upon recommendation of NC with consideration of the needs of the Manager and IGB REIT, relevant legislative and other requirements and the skills and experience of the individual Director. It is the sense of the Board that consideration should be given to rotating Committee members periodically, but the Board does not feel that rotation should be mandated as a policy.

Each Committee operates under delegated authority from the Board. The role, function, performance and membership of each Committee shall be reviewed on an annual basis as part of the Board's performance-assessment process.

Committees meet as circumstances dictate. Meetings may be held by telephonic attendance, conference via audio-visual channels or by circular resolution. Committees may request members of Executive Board or CEO or any officer or employee of the Manager or external legal counsel or consultant to attend a meeting of Committee or to make presentations. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of equality of votes, the chairman shall have a second or casting vote. Minutes shall be kept of the proceedings and the resolutions of Committees. Minutes shall be signed by the respective chairmen of Committees and such minutes shall be included as part of Directors' materials for meeting.

There shall be established the following Committees of the Board, each having mandates that incorporate all applicable regulatory requirements with such recommendations of the Malaysia Code on Corporate Governance 2012 as the Board may consider appropriate:

**(a) Audit Committee (AC)**

AC shall consist of not less than 3 members, all of whom must be NEDs, with a majority of them, including the chairman, must be independent. No alternate Director shall be appointed to AC. AC members should be financially literate, and at least one of whom shall be a member of the Malaysian Institute of Accountants or fulfils such other requirements as prescribed or approved by Bursa Securities.

AC shall meet at least 4 times a year and its quorum must at all times be comprised of at least 2 INEDs. At least twice a year, AC shall meet with external auditors without the presence of Executive Board and key management officers. Additional meetings may be held upon request by any AC member, internal or external auditors.

AC shall be responsible for reviewing financial reporting process, management of risk and system of internal controls, governance processes, and audit processes of the Manager and IGB REIT as well as Manager's process for monitoring compliance with laws and regulatory requirements.

**(b) NC**

NC shall have at least 3 members and be composed entirely of NEDs, a majority of whom, including the chairman, must be independent. At least 2 members of NC need to be present to have a quorum.

NC shall be responsible for considering and recommending to the Board candidates for directorship in the Manager and Directors to fill seats on Committees; conducting annual review of the structure, size and composition of the Board (including the required mix of skills, experience, diversity and other qualities), the performance of the Board, Committees, each individual Director as well as Directors under the annual re-election provisions; assessing the independence of INEDs and presenting its assessment to the Board for final determination; and oversee Board's succession planning.

**(c) Remuneration Committee (RC)**

RC shall have at least 3 members, a majority of whom, including the chairman, must be independent. At least 2 members of RC need to be present to have a quorum.

RC shall be responsible for establishing, reviewing, and recommending to the Board the policy framework on terms of employment and on all elements of the remuneration of Executive Board, CEO and management, as well as the remuneration framework for NEDs' annual fees and meeting allowances; and reviewing and approving the annual performance bonus and merit increase of Executive Board, CEO and management.

**(d) Risk Management Committee (RMC)**

RMC shall consist of CEO and key senior officers. RMC shall be responsible for overseeing the risk management activities of IGB REIT by reviewing IGB REIT's risk profile and ensuring the implementation of appropriate systems to manage and mitigate the identified risks.

**(e) Investment Working Group (IWG)**

IWG shall consist of Executive Board and CEO. IWG shall be responsible for reviewing, assessing and considering investment and divestment strategies of IGB REIT, with an aim of improving the growth of IGB REIT and its distribution yields.

## 5.0 MEETINGS AND MINUTES

The Board shall conduct at least 4 scheduled meetings annually. Additional meetings may be convened as warranted by specific circumstances. Quorum must at all times be comprised of at least 3 Directors. Meetings shall be called with sufficient notice. A meeting may, with the consent of all Directors, be convened with short notice. Participation via tele-conference or video-conference is permitted. However, personal attendance of the meetings is encouraged. Directors are expected to prepare for, attend, and contribute meaningfully in all Board and applicable Committee meetings in order to discharge their obligations. As and when necessary, Board meetings may be supplemented by resolutions circulated to the Directors for decision between the scheduled meetings. Decisions taken by written resolution other than at a meeting are valid decisions of the Board if signed by a majority of Directors.

Directors shall be provided with meeting materials ahead of the scheduled meetings. The agenda for each meeting and all meeting materials including proposals or specific matters shall be distributed in advance to enable the Directors to peruse, obtain additional information and/or to seek further clarification on the matters to be deliberated. CEO and senior officers may be invited to attend Board meetings to present reports on, or seek approvals within, their areas of responsibility. Where necessary or prudent, the services of external consultants and legal advisors may be arranged to provide further information and to respond directly to the Directors' queries.

Company Secretary shall support the effectiveness of the Board by monitoring the Board policy and procedures and coordinating the completion and dispatch of meeting materials. Company Secretary is responsible to the Board, through Board Chairman, on all governance matters and for meeting statutory reporting requirements in accordance with relevant legislation.

Resolutions of the Board require the approval of an absolute majority of the votes cast. In the event of a deadlock, the Chairman shall cast the deciding vote. If, on any matter discussed at a Board meeting or any of its Committees, any Director holds views contrary to those of any of the other Directors, any concern or dissenting views expressed shall accordingly be addressed and duly recorded in the relevant minutes of meetings. Any abstention, due to any reason whatsoever including but not limited to conflicts of interest, must be indicated to the Chairman at the time the matter is being considered and recorded in the minutes.

The proceedings and deliberations of the Board and its Committees are confidential. Each Director will maintain the confidentiality of information received in connection with his/her service as a Director.

Minutes shall be kept of the proceedings and the resolutions of the Board and Committees. Minutes shall be signed by the Chairman at the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts therein stated.

## **6.0 ACCESS TO INFORMATION AND INDEPENDENT PROFESSIONAL ADVICE**

Directors shall have full and unrestricted access to all information and records of the Manager and IGB REIT. Directors may interact directly with, or request further explanation, information or updates on any aspects of the operations of the Manager and IGB REIT from Executive Board, CEO and management. Directors may also seek external legal or independent professional advice in furtherance of their duties.

## **7.0 ACCOUNTABILITY AND AUDIT**

Auditing forms an integral part of corporate governance at the Manager and IGB REIT. Both internal and external auditors have a key role to play by providing an independent assessment of the operations and internal controls of the Manager and IGB REIT.

### **7.1 Financial Reporting**

The Board shall be responsible for providing a balanced and understandable assessment of IGB REIT's financial position, performance and prospects in all disclosures made to stakeholders and regulatory bodies. The Board shall be assisted by AC to oversee the financial reporting process and the quality of the financial reporting of IGB REIT. AC shall review the integrity of IGB REIT's quarterly and year-end results, focusing on, inter alia, quality, accuracy and adequacy of financial disclosure; changes in or implementation of accounting policies and practices; key audit matters, significant and unusual events, on-going concern assumption, and compliance with applicable accounting policies, standards and regulatory requirements, before recommending to the Board for its approval and public release.

### **7.2 Risk Management and Internal Control**

The Board shall be responsible for the governance of IGB REIT's risk management and internal controls which includes the establishment of an appropriate control environment and framework, and the review of their adequacy, integrity and effectiveness. In carrying out this central responsibility, the Board shall oversee IGB REIT's system of internal control and risk management with the support from RMC, AC, external and internal auditors, as well as the assurance plan by management on the effectiveness of internal controls and adequacy of risk management of IGB REIT.

IGB REIT has an outsourced internal audit function, which crucially reviews all aspects of the activities and internal controls of the Manager and IGB REIT. The role of Internal Auditor (IA), which reports to AC, provides the Board with independent and objective assurance on the effectiveness and efficiency of the management, operations, risk management and internal controls. IA shall conduct key audit areas of IGB REIT as well as periodic audits of the Manager's practices, procedures, expenditure and internal controls of the operating units of the Manager, as well as evaluate and enhance the effectiveness of the Manager's risk management, control and governance processes. The review shall be conducted based on an internal audit plan that is to be approved by AC, and in accordance with the Manager's internal audit charter. Any findings and recommendations arising from the internal control review shall be set out in a report and table to AC at its meetings. IA shall have reasonable access to the Manager's personnel, premises, documents, record, information and assets, and authorised to obtain such information and explanations which IA consider necessary to fulfil its responsibility. The Manager is responsible for ensuring that IA receive full cooperation from management and Directors during the review and for the accuracy and completeness of the information supplied to IA.

Notwithstanding the above, the primary obligation, accountability and responsibility with regards to the scope of internal audit services shall remain with the Board and the Manager at all times.

### 7.3 External Auditors (EA)

The appointment of EA for IGB REIT, who may be nominated by the Manager, must be approved by the Trustee. EA appointed must be independent of the Manager and the Trustee. The remuneration of EA must be approved by the Trustee.

The Board shall maintain an active, transparent and professional relationship with EA. AC shall be responsible to assess the performance and quality of EA and their independence, objectivity and professionalism.

EA must attend the annual unitholders' meeting (UHM) of IGB REIT and be available to answer questions regarding the conduct of the audit, the preparations and contents of the Auditors Report, the accounting policies adopted by IGB REIT in preparation of the financial statements and the independence of EA in the conduct of the audit.

### 7.4 Compliance Officer

The Board, with the assistance of a designated compliance officer, shall work towards ensuring the compliance with all legislation, rules and guidelines issued by SC and Bursa Securities as well as the Deed, and disclosure requirements of various regulatory bodies.

## 8.0 DIRECTORS' REMUNERATION

Directors' remuneration is generally determined at levels which would attract and retain individuals of the calibre required to serve on the Board. The remuneration of Board members shall be paid by the Manager from the fees it receives from IGB REIT. In the case of Executive Board, the components of their remuneration are structured on the basis of linking rewards to corporate and individual performance. Performance shall be measured against specific targets set from the Manager's annual budgets and plans. For NEDs, the level of remuneration shall reflect the Director's level of responsibilities and participation in the Board and Committees. With the exception of Executive Board, each member of the Board shall receive annual fee and meeting allowance for participation in each Board or Committee meeting. The Board as a whole shall resolve on the fees for NEDs with individual Directors abstaining from decisions in respect of their individual remuneration. The fees payable to NEDs shall be subject to the approval of shareholders of the Manager.

## 9.0 DIRECTORS' TRAINING AND EDUCATION

Directors are expected to undertake necessary continuing education to keep abreast of the latest legislations and regulatory updates as well as wider economic, financial and governance issues in discharging their stewardship responsibilities. Directors are kept informed on developments and changes in the legislative, regulatory and industry framework which may affect the Board and/or IGB REIT but this is not a substitute for the Directors' own efforts. The Board shall assess the training needs of the Directors from time to time.

## 10.0 PROFESSIONALISM

### 10.1 Conflicts of Interest

Directors are under fiduciary duty to act in good faith and in the best interests of the Manager and IGB REIT, and to avoid, and be seen to avoid, actual or potential conflict between personal interest and duty to unitholders, when they are voting as members of the Board relating to decisions affecting IGB REIT.

Every Director is required to declare any conflict of interest in a transaction or proposed transaction with the Manager and IGB REIT as soon as practicable after the relevant facts have come to his or her knowledge. Any interested Director shall abstain from deliberation and decision of the Board or Committee on the subject proposal, and where appropriate, excuse himself or herself from being present in the deliberation and consideration of the matter.

Any transactions in which a conflict of interest will arise should be executed on terms which are best available for IGB REIT and which are no less favourable to IGB REIT than arm's length transactions between independent parties and be adequately disclosed in IGB REIT's annual reports.

### 10.2 Insider Trading

Directors and principal officers of the Manager are prohibited from trading in securities or any kind of property based on price sensitive information and knowledge which have not been publicly announced. Notices on the closed period for trading in IGB REIT units are circulated to Directors and principal officers who are deemed to be privy to any price sensitive information and knowledge, in advance of whenever the closed period is applicable. Company Secretary should be notified of any dealing by a Director or principal officer in the units of IGB REIT.

## 11.0 CORPORATE DISCLOSURE AND ENGAGEMENT WITH UNITHOLDERS

The Board shall place great importance in ensuring high standards of transparency and accountability in its communication to unitholders, as well as to potential investors, analysts, media representatives and the public.

The communication channels shall be via annual reports, unitholder circulars, quarterly and annual results, notices of meetings, announcements and press releases through regulatory information service at first instance and then release on IGB REIT's website, as well as regular dialogues, briefings and meetings with fund managers, financial analysts and media to provide updates and new developments relating to IGB REIT based on permissible disclosures. Information that is price-sensitive or that may be regarded as undisclosed material information about IGB REIT shall not be disclosed in these sessions until after the prescribed announcement to Bursa Securities has been made.

Either Trustee or Manager may convene an UHM by giving notice to unitholders in accordance with the Deed, which notice shall specify the general nature of the business to be transacted. The Manager shall within 21 days after application requisition has been delivered to the Manager at its registered office, being application requisition by not fewer than 50, or one-tenth in number, whichever is lesser, of all unitholders, convene an UHM.

The Manager is entitled to receive notice of and to attend and speak at any UHM but the Manager shall not be entitled to exercise its voting rights in respect of units which it or its nominee holds or is deemed to hold for such meeting, unless otherwise permitted by SC or the relevant laws and requirements.

The Manager regards annual UHM as the principal forum for dialogue and interaction between the Board and unitholders and aims to ensure that UHM provides an important opportunity for effective communication with, and constructive feedback from, unitholders of IGB REIT.

## **12.0 DIRECTORS' CODE OF BUSINESS CONDUCT AND ETHICS (CODE)**

Board members are required to observe the Code as set out in [Appendix A](#).

The Board will review the Code periodically to ensure new facts and circumstances and evolving governance issues are addressed and best practices are incorporated.

This Board Charter was last reviewed on 25 January 2017.