

# CORPORATE GOVERNANCE

## Overview Statement

This Corporate Governance Overview Statement provides an overview of the Corporate Governance practices of Hektar Real Investment Trust (“Hektar REIT”) for the financial year ended 31 December 2023. This report provides an insight on the framework applied and best practices in compliance to principles set out in the Malaysian Code on Corporate Governance (“MCCG”) as updated on 28 April 2021, the Securities Commission Guidelines on Listed Real Estate Investment Trusts, Capital Markets and Services Act 2007 and the Bursa Malaysia Securities Berhad’s Main Market Listing Requirements (“Listing Requirements”).

The MCCG is based on three key principles of good corporate governance, which are:



This Corporate Governance Overview Statement should be read in conjunction with other statements in this Annual Report such as the Statement on Risk Management and Internal Control, the Audit and Risk Management Committee Report, and Sustainability Statement.

The Board is satisfied that the practices set out in the MCCG apart from the practices prescribed for Large Companies as defined in the MCCG, in all material respects, have been applied to achieve the intended outcomes for the financial year under review, except for the following practices:

- i. Practice 8.1: Disclosure on a named basis, the remuneration of individual directors.
- ii. Practice 8.2: Disclosure on a named basis the top 5 senior management’s remuneration component including salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000.

### PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

#### I. BOARD RESPONSIBILITIES

##### Manager of Hektar REIT and the Board

A knowledgeable Board manages Hektar Asset Management Sdn Bhd (“the Manager/HAMSB”) with years of experience and a varied range of expertise encompassing legal, financial, and various other aspects of operations. The Board is responsible for the stewardship of Hektar REIT to enhance long term unitholders’ value while taking into account the interests of other stakeholders. The Board must act honestly, with due care and diligence and work in the best interest of the Manager and Hektar REIT at all times.

The Board has full control of the Manager and participates in matters relating to the Company’s overall management including corporate governance practices, strategic direction, acquisitions, business proposals, the review of business performances and business plans, as well as major capital expenditure, risk management, internal control, succession plans and sustainability initiatives.

The Board shall thoroughly and to the best of their knowledge evaluate all information presented to them in order to make informed decisions, taking into account the consequence to the shareholders including unitholders, minority unitholders as well as its stakeholders when discharging their obligations and authorising decisions for the Company. Decisions of the Board shall then be implemented by the Manager who shall be accountable for the execution of the strategic objectives established by the Board.

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### **The Board and Senior Management in Sustainability**

The Board together with management takes responsibility for the governance of sustainability in the Company including setting the Company's sustainability strategies, priorities and targets. The Board takes into account sustainability considerations when exercising its duties, including among others, the development and implementation of Company strategies, business plans, major plans of action and risk management. Strategic management of material sustainability matters is then driven by senior management.

The Board ensures that the Company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders. For more information, please refer to the Sustainability Statement section of this Annual Report.

The Board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the Company and its business, including climate-related risks and opportunities. Performance evaluations of the Board and senior management include a review of the performance of the Board and senior management in addressing the Company's material sustainability risks and opportunities.

The Board has also identified a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the Company.

### **Chairman of the Board and Chief Executive Officer**

To maintain effective segregation of roles and responsibilities, Hektar REIT practices the separation of the positions of Chairman of the Board ("Chairman") and the Chief Executive Officer ("CEO"). Both positions have been held by separate persons as recommended under practice 1.3 of the MCCG. Such separation of roles between the Chairman and the CEO aims to promote robust deliberation by the Board and Management on the business activities of Hektar REIT.

En Hasli bin Hashim has been appointed as Chairman on 10 February 2023 until his resignation on 1 November 2023 due to personal commitments. Since the resignation, the position of Chairman has not been formally replaced. Instead, for Board meetings, a member other than the chairman of the Audit & Risk Management Committee will be selected as chairman of the day to chair the meeting.

Encik Johari Shukri bin Jamil, the Executive Director/CEO is responsible for ensuring the effective implementation of the Manager's and Hektar REIT's strategic plan and policies established by the Board, as well as managing the daily conduct of the business.

The Executive Director/CEO is accountable to the Board for the achievement of the Manager's and Hektar REIT's goals and objectives and is expected to act within the authorities delegated to him by the Board.

### **Company Secretaries**

The Board and Board Committees are supported by two professionally qualified, experienced and competent Company Secretaries, Dato' Muhammad Hafidz Bin Nuruddin and Madam Lim Seck Wah who each have more than 20 years of experience in the corporate secretarial field.

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The advice and services of the Company Secretaries are available to all the Directors to ensure that the Board receives appropriate and timely information for its decision-making, Board procedures are followed and that statutory and regulatory requirements are met. The Company Secretaries also assist the chairman in ensuring that all Directors are properly briefed on issues arising at Board meetings.

The Board is confident that the Company Secretaries are proficient in carrying out the appropriate duties to ensure the effective functioning of the Board.

The appointment and removal of the Company Secretaries are subject to the approval of the Board.

### **Board Committees and their Roles**

The Board is adequately resourced and supported by the following committees:

- i. Executive Committee ("EXCO");
- ii. Nomination and Remuneration Committee ("NRC"); and
- iii. Audit and Risk Management Committee ("ARMC").

All committees are accorded specific authorities and responsibilities to assist the Board in discharging its functions, duties and responsibilities effectively. Where a Committee is formed, specific terms of reference for the Committee shall be established in writing to cover matters such as the purpose, composition and functions of the Committees. The respective Committee terms of reference are available in the Board Charter and are published on Hektar REIT's website. The terms of reference of the Committee will be reviewed and updated to ensure their relevance to the Company's operations as well as compliance with legislation and standards.

The EXCO will review, scrutinise, deliberate and challenge the strategic issues and overall business proposals presented and the various Committees will report on their deliberations and recommendations to the Board. Ultimately, the Board will make the final decision taking into consideration the Committees' recommendation(s).

The composition, responsibilities and activities of the respective Committees are as follows:

### **EXCO**

The EXCO comprises 3 members. The EXCO is chaired by Encik Johari Shukri bin Jamil and the members are Puan Zarina Halim and Mr Richard Ng.

Under the delegated authority limits conferred by the Board, the EXCO is tasked with the following responsibilities:

- i. Recommends to the Board concerning investments to be made or expenditure to be incurred in relation to Hektar REIT;
- ii. Making decisions about operations and management of Hektar REIT within stipulated authorised limit; and
- iii. Carrying out and undertaking such other functions as may be determined by the Board by unanimous resolution and to act as per the instructions of the Board.

The EXCO met 4 times during the financial year with full attendance by all members.

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### **NRC**

The NRC comprises 3 members, all of whom are Independent Non-Executive Directors. The NRC is chaired by Encik Wan Kamaruddin bin Wan Mohamed Ali and the members are Puan Norliza binti Suleiman and Dr Chew Tuan Chiong.

The NRC is delegated by the Board to carry out the following functions:

- i. To identify and recommend candidates for new appointments, whilst managing the orientation and the provision of continuous training for Directors;
- ii. To assess the effectiveness of the Board and the Board Committees as a whole and the individual Directors, including the Independent Directors in light of the needs of the Manager, the REIT and the operating environment;
- iii. To assist the Board in remuneration matters of Directors in line with good corporate governance principles and practices; and
- iv. To work with the Board to develop a practical succession plan for the Directors and Senior Management of the Manager.

The NRC met twice during the financial year and all members during their tenure as NRC members attended the meeting.

The NRC ensured that the composition of the Board is refreshed periodically and the tenure of each director is reviewed by the NRC where the annual re-election of a director was contingent on satisfactory evaluation of the director's performance and contribution to the Board.

For the financial year ended 31 December 2023, the NRC had assessed, reviewed and recommended the appointment of Directors having regard to the individual's experience, contributions and performance, where required.

### **ARMC**

For information on the composition, responsibilities and activities, please refer to the Audit and Risk Management Committee Report section of this Annual Report.

## **II. BOARD COMPOSITION**

### **Composition and Diversity**

The Board has 12 members (and 2 alternate directors), 2 of whom are non-independent non-executive. Represented on the Board are 5 independent non-executive Directors, whose presence are essential to protect the interests of unitholders of Hektar REIT and these Directors make significant contributions to the Company's decision-making by bringing in the qualities of objectivity and impartiality.

The composition of the Board reflects a balance of Executive Directors, Non-Executive Directors and Independent Non-Executive Directors from diverse professional backgrounds with vast experience, enabling the Manager to tap their expertise. The Directors collectively bring with them a wide range of experience and knowledge in areas such as business administration, accounting, finance, legal, engineering, construction, operations, property management and real estate development thus acting in the best interest of the Manager and Hektar REIT. The profile of each Director is set out in the "Board of Directors" section of this Annual Report.

The current Board composition complies with the Listing Requirements and has applied the recommendation of the MCGG whereby at least half of the board comprises independent directors.

With the composition of 41.6% of the Board held by Independent Directors, the Manager is of the view that the Board can uphold objectivity in reaching meaningful decisions in the best interest of all stakeholders.

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The MCCG also recommends the Board have at least 30% of women directors. The Board recognises that gender diversity makes good business sense, in line with the country's aspirational target of 30% representation of women Directors. The Board has 5 women Directors, representing about 41.6% of the Board composition.

The Board of Directors (the "Board") of the Manager is committed to driving sustainable value for the unitholders of Hektar REIT. The generation of long-term value is anchored on the alignment of interests between Hektar REIT's unitholders with that of the Manager's Board and Management. In understanding the importance of driving objective and meritorious appointments at the leadership level, the Board has set out the Fit and Proper Policy for the Board and Senior Management of the Manager.

Any appointment of new Directors of the Manager will be evaluated by the NRC and after that, formally appointed by way of a Board resolution. The search for candidates to be appointed is conducted through personal contacts and recommendations, and/or external search companies. Suitable candidates are carefully evaluated by the NRC so that recommendations made on proposed candidates meet the Board's objectives. In recommending the appointment of new Directors, the Board takes into consideration the current Board size and composition, including diversity of skills, the experience of the proposed candidate; and knowledge of matters relating to REIT Management.

The Directors appointed shall be able to devote the required time to serve the Board effectively. The Board shall consider the existing directorship positions held by a director, including on boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the Company shall be avoided.

The Board shall ensure unitholders have the information they require to make an informed decision on the appointment and reappointment of a director which includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the REIT as a whole. The Board shall also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

As at the date of this report, none of the Directors held directorships in more than 5 listed issuers.

### **Directors' Training and Continuing Education Programme**

During the financial period under review, all Directors have attended training programmes in compliance with the Listing Requirements.

The Manager ensures that the Board is regularly updated on new developments or changes in laws and regulations and financial reporting standards that are relevant to the Manager or Hektar REIT and the Internal Auditors update the Board on this at Board meetings. The Manager maintains a training record to track Directors' attendance at training and professional development courses.

Members of the Board are encouraged to attend relevant courses and seminars to keep themselves updated on development and changes in the operating environment relevant to Hektar REIT.

The Board ensures that the Directors attend various conferences and programmes to enhance their knowledge and expertise and to keep up to date with the relevant changes in laws, regulations and the business environment. The training programmes, conferences and seminars attended by the Directors during the year under review covered areas such as corporate governance, leadership, professional development, industry updates, financial and tax matters, amongst others.

The Company is a member of the Malaysian Institute of Corporate Governance ("MICG"). MICG regularly updates the Company on relevant Corporate Governance training programmes suitable for Directors.

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All the current Directors of the Manager have attended training programmes during the financial year in compliance with the Listing Requirements. The details are as follows:

Director	Date	Events
<b>Johari Shukri bin Jamil</b>	21 March 2023	A Winner' Mindset
	14 April 2023	FTSE4 Good Dialogue With Bursa Malaysia
	17 – 18 May 2023	12 <sup>th</sup> Annual Shopping Malls Summit
	8 September 2023	Board Risk Management
	11 September 2023	Cross Border Seminar On Real Assets Investment Opportunities
	12 October 2023	A New Strategy & Risk Approach: Out With The Old In With The New
	2 November 2023	A Delicate Balance Board & Management Relationship
	22 November 2023	Module 2b: Business Challenges And Expectations - What Directors Need To Know (Fund Management)
	23 November 2023	Module 3: Risk Oversight And Compliance - Action Plan For Board Of Directors
<b>Norliza binti Suleiman</b>	8 – 10 August 2023	Malaysia SDG Summit: Iskandar Malaysia Sustainability Summit (IMSS) 2023
<b>Wan Kamaruddin bin Wan Mohamed Ali</b>	4 December 2023	Sukuk Fundamentals For Everyone

As shown above, the Directors of the Manager have attended various training programmes during the financial year, encompassing a variety of topics such as corporate governance, financial reporting and retail industry trends.

### III. REMUNERATION

Hektar REIT being a Trust has no employees and the Directors sit on the Board of HAMSMB, as the REIT Manager. The Directors and senior management's remunerations are remunerated by the Manager, which is a privately-owned company.

The NRC shall assist the Board in determining a remuneration framework and terms of employment for Executive Directors and senior management personnel of the Manager. The Board, in determining the remuneration package for the Directors, takes into account the remuneration level that is competitive with the relevant market and industry and the NRC's recommendation.

The Board has remuneration 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 the skills and experience required. The Board practices transparent remuneration policies and procedures and the remuneration of Executive Directors are based on individual performance. The Board confirms that the Directors do not participate in decisions regarding their remuneration.

All Directors receive Directors' fees and all Non-Executive Directors receive meeting allowances for their attendance at Board meetings and any other Board Committee meetings after require their presence. The policies and procedures are periodically reviewed and made available on Hektar REIT's website.

The details of the remuneration, on a named basis, for directors and top 5 senior management personnel are not disclosed in the Annual Report due to confidentiality, business and personal security concerns. The Board is also of the view that the disclosure of such information may put Hektar REIT in a disadvantageous position given the competition for talent in the industry where it operates.

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An overview of the Director's remuneration for the financial year ended 31 December 2023 are as follows:

	RM
Salaries and Other Remuneration	1,011,851
Directors' Fees	638,310
Meeting Attendance Allowances	28,000
<b>Total</b>	<b>1,678,161</b>

The total top 5 senior management staff of HAMS B was remunerated with total salaries and other remuneration amounting to RM2,010,329 for the financial year ended 31 December 2023.

### PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT

#### I. AUDIT AND RISK MANAGEMENT COMMITTEE

All members of the ARMC are Independent Non-Executive Directors and are in line with the requirement of MCCG, which states that the ARMC should solely comprise Independent Directors. The Chairman of the ARMC is not the Chairman of the Board.

The ARMC ensures that the primary responsibilities are discharged in accordance with its terms of reference and has explicit authority to investigate any matter within its terms of reference. The ARMC has direct and full access to the internal and external auditors and complete discretion to invite any Director or executive officer to attend its meetings. Both internal and external auditors are given unrestricted access to the ARMC. Collectively, members of the ARMC have a good understanding of REIT operations and its financial reporting requirements and possess the necessary skills required to discharge their duties effectively. The ARMC members have extensive experience and knowledge in accounting, finance and legal matters.

#### II. RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises the importance of risk management to safeguard the interest of unitholders of Hektar REIT. The review and implementation of internal control systems to maintain the integrity of the businesses and assets is an essential part of the management strategy.

Further information on Risk Management and Internal Control is covered under "Statement on Internal Control and Risk Management".

### PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### I. COMMUNICATION WITH STAKEHOLDERS

##### Unitholders and Relationship

The Manager recognises the importance of being accountable to investors of Hektar REIT and as such maintains an active and constructive communication policy that enables the Board and Management to communicate effectively with Hektar REIT's investors, stakeholders and the general public. This is achieved principally through quarterly reports, interim reports, annual reports, annual general meetings and extraordinary general meetings.

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The Board recognises the need to establish regular communication with its stakeholders to disseminate information on Hektar's activities, performance and other relevant events. Unitholders and investors can obtain an overview of performance and operations via the timely release of various announcements by the Company on Bursa Malaysia. Unitholders are also able to access the Investor Relations Department via Hektar REIT's website to seek clarification or post any queries that they may have.

### **Disclosure and Corporate Transparency**

The Manager strives to uphold high standards of disclosure and corporate transparency. In line with Hektar REIT's disclosure obligations, all significant and material developments that could impact Hektar REIT's fundamentals, performance and developments are announced on Bursa Malaysia. Such information will be available to unitholders on Bursa Malaysia's website under 'Listed Companies'. Other information such as corporate and investor information is also disclosed on Hektar REIT's website.

Hektar REIT has established and maintained its website at [www.hektarreit.com](http://www.hektarreit.com) and all material information is available there. An investor relations section on the website is also regularly maintained, allowing the unitholders and other stakeholders to be informed of the past and current financial developments of Hektar REIT.

## **II. CONDUCT OF GENERAL MEETINGS**

In efforts to strengthen the relationship between Hektar REIT and its unitholders, the Annual General Meeting and/or Extraordinary General Meeting serve as crucial mechanisms in communication.

The Chairman of the Board shall ensure that general meetings support meaningful engagement between the Board, senior management and unitholders. The engagement should be interactive and include robust discussion on, amongst others, the financial and non-financial performance as well as the long-term strategies. Unitholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

The Board ensures that the conduct of a virtual general meeting supports meaningful engagement between the Board, senior management and unitholders. This includes having in place the required infrastructure and tools to support, amongst others, a smooth broadcast of the general meeting and interactive participation by unitholders where questions posed by unitholders are made visible to all meeting participants during the meeting itself.

All unitholders are targeted to be given at least 28 days' notice prior to the Annual General Meeting, which exceeds the minimum requirement of 21 days, to enable good participation from unitholders. The notice includes details of resolutions proposed along with relevant explanations as required under the Trust Deed.

The Minutes of the Annual General Meeting or Extraordinary General Meeting are targeted to be published on the Hektar REIT website within 30 business days after the Annual General Meeting or Extraordinary General Meeting respectively.