

CORPORATE GOVERNANCE

The management of Hektar Real Estate Investment Trust (“Hektar REIT”), together with the Trustee, continues to be committed in adopting the highest standards of corporate governance. Hektar REIT ensures that its day to day business affairs adopt ethical behaviours, accountability, transparency and sustainability in its core practices. By virtue of such commitment, Hektar REIT aims to acquire public trust and investor confidence, which are essential to support the long term growth and sustainability of the organisation.

Hektar REIT

Hektar REIT is Malaysia’s first retail focused REIT listed on the Main Board of Bursa Malaysia Securities Berhad on 4 December 2006. The REIT’s cornerstone investor is Frasers Centrepoint Trust, part of Frasers Property, headquartered in Singapore.

The Manager of Hektar REIT

Hektar REIT is managed by Hektar Asset Management Sdn Bhd (“the Manager / HAMSMB”), and was formed with a vision to set strategic directions in managing the REIT’s assets and liabilities for the benefit of the Unitholders and to make recommendations to the Trustee on the acquisition, investments and enhancement of assets under management

Hektar REIT’s portfolio currently consists of quality shopping centres, namely Subang Parade in Subang Jaya, Mahkota Parade in Melaka, Wetex Parade in Muar, Central Square in Sungai Petani, Kulim Central in Kulim and Segamat Central in Segamat. Besides shopping centres, Hektar REIT also owns Classic Hotel in Muar, which is adjoined to Wetex Parade. Details of the Hektar REIT’s assets can be found under “Portfolio Performance” of this annual report.

As required by the Capital Markets and Services Act 2007, the Manager holds a valid Capital Markets Services License (“CMSL”) issued by the Securities Commission (“SC”).

Other main functions of the Manager are (but not limited to) as follows:-

- Developing and implementing business and strategic planning for Hektar REIT;
- Monitoring and ensuring the compliance with all relevant authorities, legislations, rules and guidelines as well as the Hektar REIT’s trust deeds;
- Supervising and overseeing the Property Manager on the management and operations of Hektar REIT’s retail malls and hotel;
- Supervising regulatory filing, ensuring compliance with Capital Markets and Service Act 2007, SC REIT Guidelines, Bursa Malaysia Main Market Listing Requirements (“Listing Requirements”), Trust Deeds and all relevant authority guidelines.

The Trustee

MTrustee Berhad was appointed as the Trustee for Hektar REIT via a Trust Deed executed by the Manager and the Trustee on 5 October 2006 and as amended by two Supplemental Trust Deeds dated 20 March 2012 and 23 November 2016 respectively. The Deed details out the roles, duties, obligations and powers of the Manager and the Trustee. Essentially, the Trustee and the Manager play countervailing roles against each other to ensure that the REIT’s assets and liabilities are managed with efficiency and integrity for the benefit of the Unitholders.

Board Charter & Code of Ethics and Conduct

In addition to the Deed, the Board of the Manager is also governed by the Board Charter, which encompasses the principal role of the Board, establishing the functions, responsibilities and powers of the Board and its various Committees. It also sets the policies of the Board as well as to ensure that the principles and practices of good corporate governance are applied in all their dealings for the REIT.

The Code of Ethics and Conduct (“Code”) sets out policies and guidelines relating to the standards and ethics expected of all employees of the Manager. Separately, any specific procedures on the application of policies referred to in the Code will be spelt out in the Company’s policies and procedures manual.

The Board Charter is regularly reviewed to incorporate latest statutory developments.

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CORPORATE GOVERNANCE STATEMENT

The following Corporate Governance Overview Statement provides an overview of the Corporate Governance practices of Hektar Real Estate Investment Trust (“Hektar REIT”) for the financial year ended 31 December 2018. 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”) 2017, SC REIT Guidelines, Capital Market and Services Act 2007 and the Listing Requirements. With respect to the MCCG 2017, the Manager is consistently taking steps to address the new requirements and to apply principles & procedures to achieve the intended outcomes contained within the Code.

The MCCG 2017 is based on three key principles of good corporate governance, which are:

Principle A – Board leadership and effectiveness;

Principle B – Effective audit and risk management; and

Principle C – Integrity in corporate reporting and meaningful relationship with stakeholders.

PRINCIPLE A - BOARD LEADERSHIP AND EFFECTIVENESS

Roles & Responsibilities of the Board of Directors (“Board”)

The Manager is managed by a knowledgeable Board with years of experience and a varied range of expertise. The Board must act honestly, with due care and diligence, and acting in the best interest of the Manager and 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 and succession plans.

The principal responsibilities of the Board are:

- to review, scrutinise and adopt a strategic plan, addressing the sustainability of the Company’s and REIT’s businesses;
- to oversee the conduct of the Company’s and REIT’s businesses and evaluate whether or not the businesses are being properly managed;
- to identify principal business risks faced by the Company and the REIT and ensure the implementation of appropriate systems to manage these risks;
- to consider and implement succession planning, including appointing, training, fixing the compensation of and, where appropriate, replacing members of the Board and Senior Management;
- to develop and implement an investor relations programme or shareholder communications policy for the REIT;
- to review the adequacy and the integrity of the Company’s and REIT’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines; and
- to carry out the remunerating responsibilities in the absence of a Remuneration Committee.

The Board shall factor the consequence to the shareholders including unitholders, minority unitholders as well as its stakeholders, when discharging their obligations and making decisions for the Company and the REIT. 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.

Board Composition & Diversity

As at the date of this statement, the Board consists of seven (7) members, comprising two (2) Executive Directors (ED), two (2) Non-Executive Non-Independent Directors (NENID) and three (3) Independent Non-Executive Directors (INED). 43% of the Directors are considered independent and this complies and exceeds the Directors' independence requirements set out under paragraph 15.02 of the Listing Requirements which requires that at least one-third of the Board to be Independent Directors.

The criteria of Independence as per Paragraph 1.01 of the Listing Requirements is adhered to in the determination of directors' independence. Independent Non-Executive Directors (also known as "Independent Directors") are essential for protecting the interests of shareholders of the Company and unit holders of the REIT and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.

The Listing Requirements emphasize that even if a person does not fall within any of the disqualifying indicators enumerated in Paragraph 1.01 of the Listing Requirements, both the Director and the Board must give effect to the spirit, intention and purpose of the definition of an Independent Director. There must be a conscious application of the test of whether the said Director is able to exercise independent judgment and act in the best interests of the Company and the REIT.

The attributes of collegial yet independent decision-making that must be vested in the Independent Director will be determined in part by the character of the individual and that of the whole ethos of the Board.

MCCG 2017 recommends that at least half (50%) of the Board comprises Independent Directors. This requirement has been met up to May 2018, with the demise of the Independent Chairman. However, the Company will continue to look for a suitable replacement to ensure that this requirement can once again be regularized.

The Board recognizes that gender diversity makes good business sense, in line with the country's aspirational target of 30% representation of women Directors. Therefore, the Board is proud to confirm that the percentage of female Directors sitting on the Board is currently about 43% which complies to the minimum requirement of MCCG 2017 of 30% female Directors.

The composition of the Board reflects a balance of Executive Directors, Non-Executive Directors and Independent Directors from diverse professional backgrounds with vast experience enabling the Manager to tap their expertise in deliberating issues at the Board level. The Directors, with their varied backgrounds and areas of expertise, collectively bring with them a wide range of experience and expertise 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 the REIT. A brief profile of each Director is presented in the "Board of Directors" section of this annual report.

Any new Directors of the Manager will be evaluated by the Nomination Committee and thereafter, 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 Nomination Committee so that recommendations made on proposed candidates meets 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, experience of the proposed candidate; and knowledge of matters relating to REIT/Fund Management.

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

Chairman of the Board ("Chairman") and Chief Executive Officer ("CEO")

In order to maintain an effective segregation of roles and responsibilities, Hektar REIT practices the separation of the positions of Chairman and the CEO. Both positions have been held by separate persons as recommended under 1.3 of the MCCG 2017 since 2017. 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 the REIT.

However, with the resignation of Hektar's Chairman, Mr. Michael Lim Hee Kiang on 13 April 2018, the position has not been filled until the date of this report as the Board is still in the process of identifying a suitable candidate who is able to meet the role. For the purpose of the Board meetings, a member will be selected as chairman of the day to chair the respective meeting.

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The Board is led by the ED / CEO, Dato Hisham Bin Othman, and supported by Pn. Zarina Halim the ED / Chief Corporate Officer (CCO). The CEO is responsible to ensure the effective implementation of the Manager's and the REIT's strategic plan and policies established by the Board, as well as to manage the daily conduct of the business. The CEO is accountable to the Board for the achievement of the Manager's and the REIT's goals and objectives and for the observance of Management limits. The CEO is expected to act within all specific authorities delegated to him by the Board.

The CEO is accountable to the Board for the profitability and development of Hektar REIT, with the main purpose of enhancing long-term Unitholder value. The presence of Independent Non-Executive Directors provides the element of balance to the Board as they are not involved in the daily affairs of the REIT.

Generally, the CEO is responsible to the Board for, amongst others, the following:

- executive management of the Manager's and the REIT's business, covering the development of a sustainable strategic plan, an annual operating plan and budget, performance benchmarks to gauge Management's performance, and an analysis of Management reports;
- developing long-term strategic and short-term profit plans, designed to ensure that the Company's and REIT's requirements for growth, profitability and return on capital are achieved;
- effectively overseeing the human resource of the organisation with respect to key positions in the Manager's hierarchy and ensuring the general well-being of employees, including the determination of remuneration as well as terms and conditions of employment for Management personnel and issues pertaining to discipline of all employees;
- effectively representing the interest of the REIT and the Manager with major stakeholders, governments and their agencies, and industries at large, to ensure general goodwill towards the REIT and cooperation in planned development;
- providing assistance to members of the Audit and Nomination Committee or other relevant Board Committees, as required, in discharging their duties; and
- assisting the Chairman in organising information necessary for the Board to deal with the agenda and for providing such information to Directors on a timely basis.

Company Secretaries

The Board is assisted by two professionally-qualified, experienced and competent Company Secretaries, Dato' Muhammad Hafidz Bin Nuruddin (MAICSA 7005820) and Madam Lim Seck Wah (MAICSA 0799845) who each have more than 20 years of experience in the secretarial line.

The roles and responsibilities of the secretaries are:

- ensuring that Board procedures and applicable rules are observed;
- maintaining records of the Board and its meeting as well as ensuring effective management of the Company's and REIT's records;
- preparing comprehensive minutes to document Board proceedings and ensure conclusions are accurately recorded;
- carrying out other functions as deemed appropriate by the Board from time to time; and
- keeping the Board informed on updates on relevant regulations, laws and requirements.

For 2018, every Board meeting and Board Committee meeting is attended by at least one Company Secretary who thereafter prepares the minutes of proceedings for approval by the respective Chairman.

The advice and services of the Company Secretary are available to all the Directors, and is necessary to ensure that the Board receives appropriate and timely information for its decision-making, that Board procedures are followed and the statutory and regulatory requirements are met. The Company Secretary also assists the Chairman in ensuring that all Directors are properly briefed on issues arising at Board meetings. The Board is confident that the two Company Secretaries are proficient in carrying out the appropriate duties to ensure the effective functioning of the Board while their terms of appointment permit the total removal and appointment by the Board.

Board Committees and their Roles

The Board is adequately resourced and supported by the Executive Committee (“EXCO”), Nomination Committee (“NomCom”) and Audit Committee (“AC”), each with specific authorities and responsibilities to assist the Board in discharging its functions, duties and responsibilities effectively.

Each Committee will review, scrutinize, 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 Committees are as below.

A) Executive Committee (“EXCO”)

The EXCO, comprising 3 members (2 Executive Directors and 1 Non-Executive Director), under the delegated authority limits conferred by the Board, have the right to:

- i. make decisions in relation to investments to be made or expenditure to be incurred in relation to Hektar REIT;
- ii. make decisions in relation to operations and management of Hektar REIT; and
- iii. carry out and undertake such other functions as may be determined by the Board by unanimous resolution and to act in accordance with the instructions of the Board.

The attendance by the members at the EXCO meeting held during 2018 is as follows:

Executive Committee Member	Designation	Attendance
Dato’ Hisham Bin Othman	Chairman	3/4
Pn Zarina Halim	Member	4/4
Dr Chew Tuan Chiong	Member	3/4

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B) Nomination Committee (“NomCom”)

The NomCom comprises 3 Independent Directors who meet at least once a year and monitors matters pertaining to the nomination of new Directors, examines the required mix of skills, experience, and evaluation of Independent Directors, analyses the succession planning and Board diversity, as well as assesses the effectiveness of the Board as a whole, its Committees and each individual Director’s contribution.

The NomCom is delegated with, amongst others, the following functions:

- i. To identify and recommend candidates to the Board based on their skills, knowledge and experience, professionalism and integrity. In the case of Independent Non-Executive Directors (“INEDs”), the Committee shall evaluate the candidate’s ability to discharge such responsibilities as expected from INEDs.
- ii. To assess on an annual basis, the effectiveness of the Board as a whole and its Board Committees, in light of the needs of the Manager and the REIT and its operating environment.
- iii. To assess on an annual basis, the contribution of each individual Director.
- iv. To conduct a training needs analysis and recommend a continuous education program for Board members to enhance their effectiveness.
- v. To work together with the Board to develop an effective development and succession plan for Directors and Management members.

The attendance of the members at the NomCom meetings held during 2018 is as follows:

Nomination Committee Member	Designation	Attendance
En Mahusni Bin Hasnan	Chairman	1/1
Mr Phillip Eng Heng Nee	Member	1/1
Cik Rahanawati Binti Ali Dawam	Member	1/1

During the financial year ended 31 December 2018, the NomCom had assessed, reviewed and recommended those Directors retiring be nominated for re-election / re-appointment having regard to the individual’s experience, contributions and performance; and to review and recommend the resignation and appointment of a new Director.

Mr. Philip Eng Heng Nee would have rendered his services as an Independent Non-Executive Director of the Company for a cumulative tenure of 10 years with the Manager. The Nomcom has consequently recommended Mr. Philip Eng Heng Nee continue to act as an Independent Non-Executive Director with the following justifications:

- i. He still fulfils the criteria under the definition of Independent Director as defined under the Listing Requirements of Bursa Malaysia Securities Berhad;
- ii. He is still able to proactively participate in the Board’s deliberations and provide unbiased independent views in decision-making.
- iii. His vast knowledge in the property sector and financial literacy makes him highly indispensable to The Manager / HAMS Board and Audit Committee.
- iv. He has demonstrated due care during his tenure and carried out his duties in the best interest of the Company and unitholders and is anticipated to be able to uphold these qualities and attributes.

In accordance with the Company’s Board Charter, shareholders’ approval has been obtained for retention of this Independent Director based on the certainty that his independence is not compromised even with such tenure.

C) Audit Committee (“AC”)

The AC comprises three members which assists and supports the Boards’ responsibility to oversee the Company’s and REIT’s operations. The AC reviews the processes for producing the financial data, its internal controls, risk management activities and independence of the REIT’s internal and external auditors.

The functions of the AC are as follows:

- i. To review the quarterly and annual financial statements of the REIT, before the approval of the Board.
- ii. To review any related party transaction and conflict of interest situation that may arise within the Manager and the REIT including any transaction, procedure or course of conduct that raises questions of management integrity.
- iii. To review, on bi-annual basis, the principal risks identified by Management and the methodology employed in the identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner.
- iv. To ensure that the system of internal control is soundly conceived and in place, effectively administered and regularly monitored.
- v. To review the extent of compliance with established internal policies, standards, plans and procedures.
- vi. To obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the organisation.
- vii. To be satisfied that the strategies, plans, manning and organisation for internal auditing are communicated down through the REIT.
- viii. To review with the External Auditors the nature and scope of their audit plan, their evaluation of the system of internal controls and report.
- ix. To review any matters concerning the appointment and reappointment, audit fee and any questions of resignation or dismissal of the External Auditors and Internal Auditors.
- x. To review and evaluate factors related to the independence of the External Auditors and assist them in preserving their independence.
- xi. To be advised of significant use of the External Auditors in performing non-audit services, considering both the types of services rendered and the fees, such that their independence and objectivity as External Auditors are not deemed to be compromised.
- xii. To review the External Auditors’ findings arising from audits, particularly any comments and responses in management letters as well as the assistance given by the employees of the Manager in order to be satisfied that appropriate action is being taken.
- xiii. To recommend to the Board steps to improve the system of internal control derived from the findings of the Internal and External Auditors and from the consultations of the Audit Committee itself.
- xiv. To prepare the annual Audit Committee Report to the Board which includes the composition of the Audit Committee, its terms of reference, number of meetings held, a summary of its activities for the financial year and the existence of an internal audit function and summary of the activities of that function for inclusion in the annual report.
- xv. To review the Board’s statements on compliance with the Malaysian Code of Corporate Governance for inclusion in the annual report.

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xvi. To review ordinary and extraordinary dividend payments.

xvii. To review the assistance given by the employees of Manager to the External Auditors.

xviii. To recommend the nomination of a person or persons as External Auditors.

The attendance of the members at the Audit Committee Meetings held during the period are as follows:

Audit Committee Member	Designation	Attendance
En Mahusni Bin Hasnan	Chairman	4/4
Mr Philip Eng Heng Nee	Member	4/4
Cik Rahanawati Binti Ali Dawam	Member	4/4

For the financial year ended 2018, the following is a summary of the duties and responsibilities carried out and discharged by the AC:-

- a) Reviewed the quarterly financial results for public release to ensure adherence to legal and regulatory reporting requirements before recommending the same to the Board of Directors for approval;
- b) Reviewed the audited financial statements of Hektar REIT for the financial year ended 31 December 2018 ("FYE2018"), and discussed with the External Auditors the results of the final audit conducted on Hektar REIT prior to recommending the same to the Board of Directors for approval. There were no significant audit issues raised by the External Auditors;
- c) Reviewed with the External Auditors, their audit plan for FYE2018, audit approach and reporting requirements prior to the commencement of audit works for the year under review;
- d) Reviewed the key audit matters and other audit focus areas in respect of FYE2018. The audited financial statement for FYE2018 were finalised with valuation of investment properties being the most significant audit area for Hektar REIT given that investment properties represented the single largest category of assets on the Fund's statement of financial position as at 31 December 2018;
- e) Kept abreast and informed of the nature and applicability of new accounting standards i.e. Malaysian Financial Reporting Standard ("MFRS") 15 (Revenue from Contracts with Customers), MFRS 9 (Financial Instruments) and MFRS 16 (Leases).
- f) Reviewed with the outsourced Internal Auditors, the internal audit plan for the year 2018/2019 which cover four audit cycles and agreed with the methodologies (risk-driven approach) employed by the Internal Auditors;
- g) Reviewed the internal audit reports with the Internal Auditors, and ensured that action plans recommended are agreed upon and implemented by Management on a timely basis. The summary activities of the internal audit functions are contained in the Statement of Risk Management and Internal Control of this Annual Report;
- h) Evaluated the outsourced Internal Auditors and recommended to the Board of Directors their re-engagement to carry out the internal audit function in respect of the year 2018/2019. The Audit Committee also reviewed the internal audit fees applicable for the audit cycles under engagement for the year 2018/2019 before the same was approved by the Board of Directors.
- i) Reviewed the Risk Management Report containing the Risk Register on a semi-annual basis. Details of the risk management processes of the Manager are contained in the Statement on Risk Management and Internal Control of this Annual Report.
- j) Reviewed on a quarterly basis, the list of related party transactions involving interests of related parties who are Directors of the Manager, substantial Unitholders of Hektar REIT and ultimate major shareholders of the Manager or persons connected to them (more details relating to this responsibility are elaborated in Section 5 below);

Financial reporting

It is the Board's commitment to provide a balanced and meaningful assessment of Hektar REIT's financial performance and prospects at the end of the financial year, primarily through annual financial statements, quarterly and half yearly announcements of results to unitholders.

Directors' responsibility statement in respect of the preparation of the audited financial statements

The Board is responsible for ensuring that the financial statements give a true and fair view of the financial position of Hektar REIT as at the end of the accounting period and of their financial performance and cash flows for the period ended. In preparing the financial statements, the Directors endeavour to ensure that in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Securities Commission's Guidelines on Real Estate Investment Trusts in Malaysia.

In preparing the financial statements, the Directors endeavour to select and apply consistently suitable accounting policies and make reasonable and prudent judgments and estimates. The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of Hektar REIT and to prevent and detect fraud and other irregularities.

Internal Audit

The Internal Audit function of the Manager is outsourced to an independent and reputable accounting firm. The AC has appointed KPMG Management & Risk Consulting Sdn Bhd (KPMG) as the Manager's internal auditors to provide audit services for the financial year ended 31 December 2018. KPMG is responsible for carrying out the following internal audit activities during the financial year under review:

- to report to the AC and provide independent and objective reports on the adequacy and effectiveness of the Manager's internal controls, risks and governance framework;
- to issue internal auditor's report for the Manager's response and implementation; and
- to issue a final internal auditor's report to the AC for deliberation and approval.

KPMG adopts a risk-based auditing approach, taking into account global best practices and industry standards consistent with the Manager's objectives and goals.

The remuneration for the internal audit function in respect of the financial year ended 31 December 2018 amounted to RM125,000

External Audit

The Board maintains a transparent relationship throughout their association with the external auditors. The appointment of external auditors who is nominated by the Manager has been approved by the Trustee. The Trustee has re-appointed BDO PLT as the external auditors to conduct the statutory audit for financial year ended 31 December 2018.

The AC has also evaluated reappointment of the External Auditors of Hektar REIT during financial year ended 2018 in order to determine their suitability for re-appointment and independence. The appointment satisfies the requirements of Paragraph 15.21 under the Listing Requirements.

BDO PLT is responsible for and has carried out the following external audit activities during the financial year under review:

- presented the statutory audit plan, scope of work and result of the annual audit for the REIT.
- convened meetings with the Board and the Manager to discuss significant issues and results in relation to the statutory audit.

The remuneration of the external auditors is approved by the Trustee based on the Manager's recommendation. The remuneration for the external audit function in respect of the financial year ended 31 December 2018 amounted to RM105,000.

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Dealings with Related Parties

For financial year ended 31 December 2018, the AC is satisfied and hereby confirms that there were no material related party transactions and conflict of interest in respect of commercial transactions of the Manager. All commercial transactions were in compliance with the SC's REIT Guidelines, the Deed and the Listing Requirements. The Manager has demonstrated to the AC that all commercial transactions were carried out in the best interest of Hektar REIT and were not detrimental to the interests of unitholders.

The Terms of Reference for each committee are continuously reviewed and updated to ensure its relevance operationally as well as compliance with legislation and standards.

Board Meetings

The Board ordinarily meets at least once a financial quarter with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. For the year ended 31 December 2018, the Board met on 4 occasions, where it deliberated upon and considered a variety of matters including Hektar REIT's financial results and strategic investment decisions.

Below is the Directors' attendance for the board meetings held in the financial year ended 2018:-

Member	Designation	Board Meeting
Mr. Michael Lim Hee Kiang (Resigned w.e.f 13 April 2018)	Independent Non-Executive Chairman	0/1
Dato' Hisham bin Othman	Executive Director and Chief Executive Officer	4/4
Pn. Zarina Halim (Appointed w.e.f 1st February 2018)	Executive Director and Chief Corporate Officer	4/4
Dr. Chew Tuan Chiong	Non-Executive Director	3/4
Ms. Tay Hwee Pio	Non-Executive Director	4/4
En. Mahusni bin Hasnan	Independent Non-Executive Director	4/4
Mr. Philip Eng Heng Nee	Independent Non-Executive Director	4/4
Cik Rahanawati binti Ali Dawam	Independent Non-Executive Director	4/4
Mr. Alex Chia Soon Ren (Alternate Director to Dr Chew Tuan Chiong)	Non-Executive Alternate Director	N/A

Note :

* The attendances reflected were during the Director's tenure of service

The Board is satisfied with the level of time commitment of the Directors in attending all the Board meetings during the financial year of 2018.

The Directors will be notified in advance on the date of the next Board Meeting at the previous Board meeting. The Company Secretary shall, seven (7) days prior to the upcoming Board Meeting, email the notice of meeting and the agendas to all Directors. Should a Director be unable to be physically present at the Board meeting, tele-conferencing can be arranged for participation.

Senior management staff as well as external parties related to the discussion and matters at hand, may be invited to attend the Board meetings to furnish the Board with clarifications and their views on a particular subject matter in the agenda.

All proceedings from the Board meetings are minuted by the Company Secretary and are securely kept at the registered office.

Board Process

The Board and its Committees receives their respective Board papers at least seven (7) days prior, on matters requiring its consideration prior to and in advance of each meeting. The Board papers are a comprehensive balance of financial and non-financial information covering strategic, operational, financial, regulatory and marketing issues so that informed decisions can be made.

Prior to each Board meeting, the EXCO of the Board would meet with the management team, to review all the key reports and proposals being compiled to be presented to the Directors and to make appropriate recommendation for the Board's consideration. The reports and proposals include regular updates on business development, acquisition / activities, operational updates and financial results for the Board's review, consideration and approval.

Board Remuneration

Given the current size of the Board, the Board is of the view that it is not necessary for the Manager to establish a Remuneration Committee for the time being and the Board as a whole will serve and undertake the function of the Remuneration Committee and is responsible to oversee the remunerating responsibilities.

In the absence of the Remuneration Committee, the Board holds the primary responsibility to establish a remuneration framework and terms of employment for all Directors, including Independent Non-Executive Directors and senior Management personnel of the Manager.

The Board, in determining the remuneration package for the Directors takes into account the remuneration best practices of other companies. However, the Board will consider and make the final decision on the remuneration packages which are subject to the approvals of the shareholders of the Manager. As transparent remuneration policies and procedures have been practiced by the Board, the remuneration of Executive Directors is based on individual performance and rewards. All Directors receive Directors' fees and all Non-Executive Directors receive meeting allowance for their attendance to Board meetings and any other Board Committee meetings that require their presence. The Board confirms that the Directors are not involved in the approval of their own remuneration.

The remuneration of the Directors is paid by the Manager, which is a privately-owned company and not Hektar REIT. An overview of the Director's remuneration during the financial year are as follows:

Remuneration of Executive and Non-executive Directors for Financial Year Ended 2018

	RM
Salaries and Other Remuneration	1,465,924
Directors Fee	618,900
Meeting Attendance Allowance	18,500
Total	2,103,324

Range of Remuneration Per Annum	Executive Directors	Non-Executive Directors
Above RM150,000	2	-
Below RM150,000	-	6
Total	2	6

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Directors' Training

During the financial period under review, all Directors have attended training programmes in compliance with the Listing Requirements. A new Director appointed in February 2018 has attended the Mandatory Accreditation Programme within the time frame required by Bursa.

The Manager ensures that the Board is regularly updated on new developments in laws and regulations or changes in regulatory requirements and financial reporting standards which are relevant to the Manager or Hektar REIT and the Auditors regularly update the Board on this at Board meeting. The Manager maintains a training record to track Directors' attendance at training and professional development courses. During the financial year ended 2018, the Board was briefed and updated on key changes to the Code of Corporate Governance and new accounting standards adopted during the year.

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

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 Malaysia Institute of Corporate Governance and therefore the Institute regularly updates the Company on relevant Corporate Governance training suitable for Directors.

The Executive Directors are also members of the Institute of Corporate Directors Malaysia and are regularly advised by the Institute regarding training programmes which are tailor made for Company Directors for attendance.

All the Directors of the Manager have attended training programmes during the Financial Year Ended 2018 in compliance with the Main Market Listing Requirement. The details are as follows:

Director	Date	Events
Dato' Hisham bin Othman	23 January 2018	11 th Malaysia Property Summit 2018
	14 March 2018	China's One Belt, One Road (OBOR) Initiative
	23 March 2018	Digital Economy and Capital Market Series: Financial Technology, Artificial
	11 October 2018	AMLA, Marketing Misconduct, Chinese Wall & Prevention of Insider Trading.
	22-25 October 2018	Recon Asia Pacific
	28 December 2018	Sun Tzu's Art of War
Pn. Zarina Halim (Appointed w.e.f 1st February 2018)	18 January 2018	MCCG and Bursa's Listing Requirements: Towards Meaningful Disclosure
	9-10 April 2018	Mandatory Accreditation Programme
	30 April 2018	Annual Report & Sustainability Statement Disclosure Standards
	25-26 April 2018	8 th Annual Shopping Malls
	16 July 2018	Financial Reporting by Listed Issuer
	18 September 2018	KING on Governance, Value Creation in Era of Seismic Disruption

Dr. Chew Tuan Chiong	16 January 2018	ACRA-SGX-Singapore Institute of Directors Audit Committee Seminar
	13 April 2018	Singapore Institute of Directors – Strategic Use of Design in Businesses for Innovation and Transformation
	31 May 2018	Singapore Institute of Directors – Managing Millennials In A Multi-Cultural Work Place
	31 August 2018	KPMG Procurement ignite Summit 2018 – Unlocking Sustainable Value for the Future
	3 October 2018	Singapore Institute of Directors – Launch of the Singapore Directorship Report 2018 & Corporate Governance Guides for Boards in Singapore 2018 Edition
	25 October 2018	Orchard Road Business Association (ORBA) Industry Briefing
	26 October 2018	Singapore Institute of Directors CEO Conversation 2018 – Leadership for the Firm of the Future
Ms. Tay Hwee Pio	21 February 2018	Singapore Institute of Directors – Business Future Series (BFS3) Programme: Sustainability for Directors
	1 March 2018	KPMG Singapore Budget Seminar
	5 March 2018	Lean Six Sigma Management Briefing
	20 March 2018	Lean Six Sigma Yellow Belt Programme
	16 May 2018	Monetary Authority of Singapore Industry Engagement for REIT Managers
	22-23 May 2018	GST Training
	30 May 2018	Finance & Accounting Seminar
	25 June 2018	Hedge Accounting Training
En. Mahusni bin Hasnan	19 November 2018	Loan Documentation
	14 September 2018	Responsibilities and Liabilities of Directors of PLC
	1 October 2018	Official Launching of Institute of Corporate Directors Malaysia
	31 October 2018	Power Talk – Effective Boards in a Volatile, Uncertain, Complex and Ambiguous World
Mr. Philip Eng Heng Nee	6 December 2018	High Impact Governance on Corporate Compliance
	12 December 2018	Indonesian Economy in the Midst of Uncertainty by Centre for Strategic and International Studies
Cik Rahanawati Binti Ali Dawam	28 August 2018	International Professional Practices Framework Audit Committee
	10 October 2018	Gearing up for Corporate Liability
	5 December 2018	Breakfast Series: Non-Financials – Does It Matter?

CORPORATE GOVERNANCE

Mr. Alex Chia Soon Ren (Alternate Director to Dr Chew Tuan Chiong)	4 May 2018	Seamless Asia
	16 May 2018	Monetary Authority of Singapore Industry Engagement for REIT Managers
	17 August 2018	Talk on Competition Law

The Directors of the Manager have attended various training programmes during the financial year 2018 which encompass a variety of topics such as corporate governance, financial reporting, and retail industry trends.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Currently, all three members of the AC are Independent Directors and are in line with the requirement of MCCG 2017 which states that the AC should solely comprise Independent Directors. The Chairman of the AC is not the Chairman of the Board.

The AC 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 AC has direct and full access to the internal and external auditors and full discretion to invite any Director or executive officer to attend its meetings and the Chairman or members of the AC has had independent counsel with management. Both internal and external auditors are given unrestricted access to the AC.

Collectively, members of the AC have a good understanding of REIT operations and its financial reporting requirement and possess the necessary skills required to effectively discharge its duties. The AC members have extensive experience and knowledge in accounting, finance and legal matters.

Further information of Risk Management is covered under “Statement on Internal Control and Risk Management”.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Unitholders & relationship

The Manager recognizes 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 general public. This is achieved principally through quarterly reports, interim reports, annual reports, the annual general meetings and extraordinary general meetings.

The Board recognises the need to establish regular communication with its stakeholders to disseminate Hektar’s activities, performance and other relevant information. Unitholders and investors are able to obtain an overview of performance and operations via the release of various announcements to Bursa Malaysia.

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 development which could impact Hektar REIT’s fundamentals, performance and its developments is announced to 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 are also disclosed on Hektar REIT’s website.

Hektar has established its website at www.hektarreit.com and all information with reference to material information are available there. An investor relations section in Hektar’s website is also regularly maintained, allowing the unitholders and other stakeholders to be informed of the past and current developments of Hektar REIT.

Conduct of Annual General Meetings & Extraordinary General Meetings

In efforts to strengthen the relationship between the Company and its shareholders and unitholders, the Annual General Meeting (“AGM”) and/ or Extraordinary General Meeting (“EGM”) serves as crucial mechanisms in communication.

All unitholders are given at least 28 days’ notice prior to the Annual General Meetings which exceed the minimum requirement of 21 days. The notice includes details of resolutions proposed along with relevant explanation as required under the Trust Deed.

The Annual General Meeting of Hektar REIT for 2019 will take place on 16 April 2019. The Notice of Meeting and Proxy Form can be found at the end of this Annual Report.

Additional Information

The information set out below is disclosed in compliance with the Securities Commission’s Guidelines on Real Estate Investment Trusts: -

A. Sanctions and/or penalties

There are no public sanction and/or penalty imposed on Hektar REIT, its Directors or management of the Manager, by relevant regulatory bodies during the financial year ended 31 December 2018.

B. Non-audit fees

The non-audit fees payable to the external auditors of Hektar REIT for the financial year ended 31 December 2018 amounts to RM33,000.

C. Soft commission

For the year ended 31 December 2018, the Manager did not receive any soft commission.

D. Variation in results

There was no variance of 10% or more between the audited results for the financial year ended 31 December 2018 and the unaudited results previously announced during the quarterly announcement. Hektar REIT did not release any profit estimate, forecast or projection for the financial year.

E. Material contracts involving the interests of Directors and major unitholders

There were no material contracts entered into by Hektar REIT involving the interests of the Directors and major unitholders during the financial year ended 31 December 2018.