

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

BEING A WHOLLY-OWNED SUBSIDIARY OF PERMODALAN NASIONAL BERHAD (PNB), PHNB SHARES THE SAME VALUES AND BELIEFS AS PNB. PNB AND PHNB BELIEVE THAT A CULTURE OF TRANSPARENCY, ACCOUNTABILITY, AND INTEGRITY IS PARAMOUNT IN ENSURING OUR COMMITMENT TOWARDS BECOMING A DISTINCTIVE WORLD CLASS INVESTMENT HOUSE. THE PRESENT CHALLENGING VOLATILE MARKET CONDITIONS HAVE MADE IT MORE VITAL FOR US TO ENSURE CONFORMANCE TO THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE, WHICH DEPEND ON OUR INTERNAL POLICIES AND PROCESSES. WITH THAT IN MIND, WE ARE PLEASED TO REPORT THE APPLICATION OF THE PRINCIPLES AND BEST PRACTICES OF CORPORATE GOVERNANCE BY PNB AND PHNB, AS SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE (THE CODE).

THE BOARD'S PRINCIPAL RESPONSIBILITIES

The sustainability and growth of PNB and PHNB will depend always on the proper execution of the Board's fundamental roles, which include to:

- set and monitor the Group's strategic business objectives;
- review policies and procedures to ensure that the Group's corporate conduct is in line with the principles of integrity and accountability;
- review the adequacy of the Group's system of internal control, management information systems, and compliance with applicable laws;
- monitor the performance of the management and review;
- assess the implementation of the risk management system;

BOARD OF DIRECTORS

A healthy Board culture which promotes and upholds good governance practices will ensure that the stakeholders' interests are protected. It is important for the Board of Directors (Board) to have a clear understanding of their roles and responsibilities. The selection of individuals with the required mix of skills and experience is paramount in order for the Board to be able to provide a clear and effective leadership whilst inculcating healthy governance practices. The Board members are selected through the recommendation of the PNB's Nomination and Remuneration Committee (NRC), from diversified backgrounds to spearhead decision making and steer PHNB to achieve its objectives and strategic goals. Currently, the Board consists of nine members, comprising five Independent Non-Executive Directors, three Non-Independent Non-Executive Directors, and one Non-Independent Executive Director.

There are no family relationship among the Directors and/or major unitholders. None of the Directors has any conflict of interest with AHP and none of the members has been convicted for any offences other than traffic offences within the past ten (10) years.

BOARD OF DIRECTORS MEETINGS (Frequency of Meetings)

The Board convenes at least four meetings annually, with additional special meetings being conducted should circumstances warrant such meetings be held, to approve corporate proposals, strategic business plans, and direction or any other matters that require the Board's decision. The Audit Committee meetings are held in conjunction with the scheduled meetings of the Board.

CONDUCT OF MEETINGS (Board Agenda)

At each meeting, the Chairman of the Board and the respective Board Committees brief and outline the agendas for the meetings. The Chairman reviews the Board and committee agendas, as required. The Directors attending the meetings are at liberty to propose items for the agenda, and each Director is free to recommend for discussion any issues related to the business of PHNB or any other related matter.

DISTRIBUTION OF MEETING MATERIALS

Presently, the Board meetings are on a paperless basis with the use of the BoardPac System. The new system has enabled the Company Secretary to furnish the Board and Committee members with immediate access to the material of the meetings prior to each Board meeting. This paperless system is expected to enable Board meetings to be efficiently managed and for members of the Board to be instantly updated of any revision to any paper pertaining to the meeting.

ACCESS TO ADVICE

The Board and its Committees have direct access to the officers and employees of PHNB and may engage independent third parties as deemed necessary, in discharging their duties and fulfilling their obligations.

APPOINTMENT AND RESIGNATION OF DIRECTORS

There were two Directors appointed during the current financial year:

Directors	Status	Date
Encik Rizal Rickman bin Ramli	Non-Independent Non-Executive	13 March 2018
Datuk Mohd Anwar bin Yahya	Independent Non-Executive	12 December 2018

Directors who resigned / retired during the financial year are as set out below:

Directors	Status	Date
Dato' Mohd Nizam bin Zainordin	Non-Independent Non-Executive	8 March 2018
Tan Sri Abdul Wahid bin Omar	Non-Independent Non-Executive	30 June 2018

DIRECTORS' ATTENDANCE

Record of the Directors' attendance at the Board Meetings during the financial year are as follows:

Directors	Status	Attendance
Tan Sri Abdul Wahid bin Omar (Chairman)*	Non-Independent Non-Executive	3/3
Dato' Johan bin Ariffin (Chairman)*	Independent Non-Executive	6/6
Dato' Abdul Rahman bin Ahmad	Non-Independent Non-Executive	6/6

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DIRECTORS' ATTENDANCE (CONTD.)

Directors	Status	Attendance
Dato' Idris bin Kechot	Non-Independent Non-Executive	6/6
Dato' Nafisah binti Radin	Independent Non-Executive	6/6
Datuk Wong Tuck Wai	Independent Non-Executive	5/6
Dato' Mohd Nizam bin Zainordin	Non-Independent Non-Executive	2/2
Datuk Mohd Anwar bin Yahya	Independent Non-Executive	n/a
Puan Rosinah binti Mohd Salleh	Independent Non-Executive	5/6
Encik Rizal Rickman bin Ramli	Non-Independent Non-Executive	4/4
Encik Hafidz Atrash Kosai bin Mohd Zihim	Non-Independent Executive	6/6

*Note:

Following the retirement of Tan Sri Abdul Wahid bin Omar on 30 June 2018, Dato' Johan bin Ariffin was appointed as Chairman on 27 July 2018.

APPOINTMENT (Selection of Directors)

The Board members are selected through the recommendation of the PNB's Nomination and Remuneration Committee, which is responsible for the nomination of candidates for directorship. Potential candidates are screened from diversified industries in order to ensure only those with the right mix of capabilities, expertise and experience are chosen. The composition of the Board is also reviewed regularly to ensure the effective contribution to the Board's deliberation.

BOARD COMMITTEES

The Board has established the following committees to assist the Board in dealing with specific functions or areas in a more efficient manner:

- Property Investment Committee
- Audit Committee*

There were no other committee established by PHNB, however by virtue of the Service Level Agreement between PHNB and PNB for the outsourcing of supervisory and back office functions to PNB, there were matters being presented to the following committees which were established by PNB:

Audit Committee	Risk Management Committee	Nomination & Remuneration Committee
Compliance Committee	Appeal Committee	Tender Committee

*Note:

The Audit Committee of PHNB was established on 27 November 2018 in compliance with the Bursa Securities' Main Market Listing Requirements where REIT management company is required to establish its own audit committee by 31 December 2018. Prior to this, financial statements of AHP were presented to the Audit Committee of PNB.

The committees have separate and defined written terms of reference, detailing the scope of their authority and responsibilities. Items discussed and actions taken at their meetings are reported to the Board following each meeting. Each committee will review its own terms of reference and works with the Board to make necessary adjustments, as required. The Board may, from time to time, establish and maintain additional Committees as required.

The key functions of each Committee established by PHNB as well as the membership and attendance at meetings during the current financial year are set out below.

PROPERTY INVESTMENT COMMITTEE

This Committee assists the Board with the evaluation of real property-related investments, especially on any proposed acquisition and disposal of properties.

Members	Status	Attendance
Dato' Johan bin Ariffin (Chairman)	Independent Non-Executive	1/1
Dato' Ir. Jamaluddin bin Osman	Non-Board Member	1/1
Professor Datuk Dr. Nik Mohd Zain bin Haji Nik Yusof	Non-Board Member	1/1

None of the members of the property investment committee has any conflict of interest with AHP and none of the members has been convicted for any offences other than traffic offences within the past ten (10) years.

AUDIT COMMITTEE

The main function of the Committee is to review the quality and effectiveness of the entire accounting and internal control system. The Committee will review the adequacy and integrity of the audit exercise undertaken by both external auditors and internal auditors for every financial year. The accounting policies to be adopted by Management and accepted by external auditors will be reviewed periodically to ensure conformance to the Accounting Standard being adhered to.

Members	Status	Attendance
Datuk Mohd Anwar bin Yahya (Chairman)	Independent Non-Executive	The Committee was established on 27 November 2018 and its first meeting was held on 29 January 2019
Dato' Abdul Rahman bin Ahmad	Non-Independent Non-Executive	
Dato' Nafisah binti Radin	Independent Non-Executive	
Puan Rosinah binti Mohd Salleh	Independent Non-Executive	

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The key functions of the other Committees established by PNB are set out below:

NOMINATION AND REMUNERATION COMMITTEE

The primary functions of the Nomination & Remuneration Committee are to identify and recommend suitable candidates for appointment to the Board of PNB and Operating Subsidiary Companies, including PHNB. This committee also identifies and recommends suitable candidate for appointment as Presidents/Managing Directors/Chief Executives of PNB and its Operating Subsidiaries Companies including PHNB. In selecting candidates, the Committee follows an established policy and process whereby it considers, amongst others, the integrity, skills, knowledge and experience of the candidate.

RISK MANAGEMENT COMMITTEE

This Committee reviews and recommends to the Board the risk management philosophies, policies and mitigation strategies as proposed by Management to manage the principal risks of the PNB Group including PHNB and to oversee and approve the development and maintenance of the integrated risk management framework.

COMPLIANCE COMMITTEE

This Committee was set up to determine, approve, review and monitor the Compliance Work Plan of the Compliance Department of PNB which ensure adherence towards ethical and regulatory requirements of all entities in the PNB group of companies. The Committee convenes quarterly to evaluate and review the findings of the compliance report and to make recommendations in respect thereof. The structure of the overall compliance function of the Group will be reviewed as and when it is deemed necessary.

APPEAL COMMITTEE

The Appeal Committee's function is to hear appeals of staff members who are found guilty of misconduct and to determine whether sentences meted out by the Disciplinary Committee commensurate with the respective misdeeds. The Committee also considers appeals from staff members pertaining to the determination of their salaries and promotions. There was no meeting held in 2018.

TENDER COMMITTEE

The Tender Committee assists the Board to consider tenders and quotations for all assets, supplies and services valued above RM2 million.

DIRECTORS TRAINING

Amongst the training programmes, conferences and forums attended by the Directors for 2018 were as follows:

- Compliance Conference 2018 (By Compliance Department of Etiqa Maybank)
- Takaful Minds & Its Algorithm in takaful Industry"-Session with Datuk Dr. Mohd Daud Bakar (By Shariah Department & Shariah Risk Management Unit by Etiqa Takaful Executive Development (TED) 2018
- Value Based Intermediation (VBI) in Takaful (By Shariah Dept. & Shariah Risk Management Unit by Etiqa TED Series 2018
- Annual Risk Workshop (By Maybank Ageas Holdings Berhad)
- Investing in Integrated Strata Development Briefing
- Malaysia : A New Dawn 2018 Conference (Ministry of Finance Malaysia)
- FIDE Forum : Identifying Your Next Board Talent-Optimising Board Composition and Board Director
- Recruitment (By The Iclif Leadership and Governance Centre)
- PIDM Dialogue with the Board Members of Life Insurance Companies-Briefing on Differential Levy System
- (DLS) Framework to the BOD (By Life Assurance Association of Malaysia (LIAM))
- Utilisation of ERM for Commercial Sustainability, Agility and Resilience (By Institute of Enterprise Risk Practitioners)
- ICDM PowerTalk by Professor CK Low-Would A Business Judgement Rule Help Directors Sleep Better At Night? (By Pelaburan Hartanah Nasional Berhad)
- 2018 Joint Offsite
- PNB CEO Roundtable
- PNB Cyber & Information Security Awareness Seminar for Senior Management
- Seminar:Latest Amendment of Strata Titles and Strata Management Act
- Corporate Exercise & Asset Pricing in Malaysia (Renegotiation and Re-Contracting)
- AMLATFPUAA 2001:The Law, Compliance & Case Studies for Senior Management
- Power Talk and Directors Dialogue "Effective Boards in A VUCA World"-ICDM
- YTI Memorial Lecture "Redefining Financial Integrity" & PNB Book Launch "In Trust:History of PNB"
- Mandatory Accreditation Programme-The Iclif Leadership and Governance Centre
- ACI Breakfast Roundtable 2018
- Audit Committee Conference 2018
- Directors' Continuing Education Programme 2018
- Sustainability Report-Setting the Agenda for Value Creation Bursatra
- IFSB Executive Form-Effective Risk Management Oversight and Governance of Islamic Banks
- Islamic Finance for BOD Programme ISRA Consultancy Sdn Bhd
- Internal Audit for Board and Audit Committee
- Sustainability Engagement Series for Director/Chief Executive Officer of Listed Issued
- Legal Briefing of Strata Related Acts
- High Performers Leadership Development Programme