

Atrium REIT Managers Sdn Bhd, the Manager of Atrium Real Estate Investment Trust (“Atrium REIT”) has adopted an overall corporate governance framework designed to meet best practice principles. The Manager also recognises that an effective corporate governance culture is critical to its performance and consequently, the success of Atrium REIT which it manages. In particular, the Manager has an obligation to act honestly, with due care and diligence, and in the best interest of the unitholders of Atrium REIT.

The following segments describe the Manager’s main corporate governance policies and practices which are guided by the measures recommended in the Securities Commission’s Guidelines on Real Estate Investment Trust (“REIT Guidelines”), Securities Guidelines on Unit Trust Funds, the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the Malaysian Code on Corporate Governance.

ROLE OF MANAGER

Manager of Atrium REIT

The Manager has general powers of management over the assets of Atrium REIT. The Manager’s main responsibility is to manage Atrium REIT’s assets and liabilities in the best interest of unitholders.

The primary role of the Manager is to set the strategic direction of Atrium REIT and give recommendations to BHLB Trustee Berhad (“Trustee”), as Trustee of Atrium REIT on the acquisition, divestment and enhancement of assets of Atrium REIT in accordance with its stated investment strategy.

Other general functions, duties and responsibilities of the Manager include the following:

- (a) to carry out the activities in relation to the management of Atrium REIT and its portfolio of assets in accordance with the provisions of the Trust Deed dated 20 November 2006 and amended by the Supplementary Deed dated 25 November 2008 (collectively known as “the Deed”);
- (b) to use its best endeavours to ensure that the business of Atrium REIT is carried out and conducted in a proper and efficient manner and to conduct all transactions with or for Atrium REIT at arm’s length and on normal commercial terms;
- (c) to issue the annual report of Atrium REIT to Unitholders within two (2) months of its financial year end;
- (d) to attend to all enquiries from unitholders, tenants, media, government bodies, etc;
- (e) to supervise the Property Manager, Azmi & Co Building Services Sdn Bhd, which provides property management services in relation to Atrium REIT’s properties pursuant to the property management agreement; and
- (f) to ensure that Atrium REIT is in compliance with the applicable provisions of the REIT Guidelines, other relevant securities laws, the Listing Requirements of Bursa Securities and other applicable laws.

Atrium REIT is externally managed by the Manager and accordingly, Atrium REIT has no personnel of its own. The Manager appoints experienced and well-qualified management personnel to handle the day-to-day operations. All Directors and employees of the Manager are remunerated by the Manager and not by Atrium REIT.

Atrium REIT Managers Sdn Bhd is the appointed Manager of Atrium REIT in accordance with the terms of the Deed which outlines the circumstances under which the Manager can be retired.

DIRECTORS OF THE MANAGER

The Board

The Board is entrusted with the responsibility of overall management and corporate governance of the Manager including establishing goals for management and monitoring the achievement of these goals. The Board is also responsible for charting the strategic direction, development and control of the Manager and has adopted the primary responsibilities as listed in the REIT Guidelines as well as the roles and duties set out in the REIT Guidelines, which facilitate the discharge of the Directors’ stewardship responsibilities.

Board Composition

The Board presently consists of five (5) members comprising one (1) Non-independent Non-executive director, one (1) Executive Director and three (3) Independent Non-Executive Directors. This is in compliance with the requirement for at least one-third of the Board to be independent. The diverse background of the members who come from various fields such as engineering, financial, real estate and management provide broad spectrum of skills, experience and invaluable perspectives to overseeing the management of the Manager. The profiles of the members of the Board are provided in pages 18 to 19 of the Annual Report.

The Board is of the view that its current members who, as a group, provides the necessary core competencies, is adequate and that the current Board size is appropriate, taking into consideration the nature, size and scope of Atrium REIT's operations.

The Chairman of the Board is responsible for the conduct of the Board and ensures that the Board's discussions are conducted in such a way that all views are taken into account before a decision is made. The Executive Director and the Chief Executive Officer, supported by the management team, are responsible for running the business on a day-to-day basis, organizational effectiveness and implementation of the Board's policies, strategies and decisions as planned and in accordance with the Deed, REIT Guidelines and the Listing Requirements of Bursa Securities. This clear separation of roles between Chairman and Chief Executive Officer, provides a healthy, independent and professional relationship between the Board and Management.

The Board focuses mainly on strategy, financial performance and critical business issues, including:-

- The strategic business plans
- Key financial performance indicators
- Principal risks and their management
- Succession planning for senior management
- Investors and unitholders relations programmes
- Systems of internal control

Independent non-executive directors have the responsibility to ensure that the strategies proposed by the Executive Director, Chief Executive Officer and management are fully discussed and examined, taking account of the long term interest, not only of the Unitholders, but also of employees, customers, supplier and the many communities in which Atrium REIT conducts its business.

Board Meetings

Board meetings are scheduled at least four (4) times per annum to review the operations of Atrium REIT and to approve the quarterly and annual financial statements of Atrium REIT. Additional meetings are held as and when urgent issues and important decisions need to be taken between the scheduled meetings.

The Board met four (4) times during the financial year ended 31 December 2011. The number of meetings attended by each Director is as follows:

Directors	Designation	Attendance
Dato' Dr Ir Mohamad Khir Bin Harun	Non-Independent Non-Executive Chairman	4/4
Wong Sui Ee	Executive Director	4/4
How Hu Son	Independent Non-Executive Director	4/4
Tor Peng Sie	Independent Non-Executive Director	4/4
Soong Kwong Heng	Independent Non-Executive Director	4/4

Access to and Supply of Information and Advice

All Board members are supplied with information on a timely manner. The Agenda together with the full set of Board papers containing information relevant to the Board meetings are circulated to the Directors prior to the Board meetings. There is sufficient time for the Directors to review and seek clarification where necessary prior to meeting being held and this process enables the Directors to make better and informed decisions.

All Directors have access to the advice and services of the Company Secretary and has the right to seek independent professional advice when necessary in discharging their duties, making acquisition decisions and complying with relevant legislations and regulations.

Appointments to the Board

There is a transparent procedure for the appointment of new Directors to the Board. The Executive Director makes recommendations on the requirement and suitability of candidates nominated for appointment to the Board and the final decision lies with the entire Board to ensure that the resulting mix of experience and expertise of members of the Board is balanced with representation from the relevant sectors of industry to provide optimal inputs to address the issues affecting the Manager and Atrium REIT.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for ensuring that financial statements are drawn up in accordance with the provisions of the Companies Act, 1965, and applicable approved accounting standards in Malaysia. The Directors are satisfied that in preparing the financial statements of Atrium REIT for the financial year ended 31 December 2011, Atrium REIT has applied consistently, suitable accounting policies and supported by reasonable and prudent judgments and estimates.

Internal Control

The Board is required to ensure and maintain a sound system of internal controls and risk management practices to safeguard the Unitholders' investments and the Trust's assets. However, such system can only provide reasonable but not absolute assurance against material misstatements or losses.

Relationship with Auditors

The Board maintains a transparent relationship throughout their association with the external auditors. The appointment of external auditors, who may be nominated by the Manager, is approved by the Trustee. The auditors appointed must be independent of the Manager and Trustee. The remuneration of the Auditor is approved by the Trustee.

MANAGEMENT OF BUSINESS RISK

Recognising and managing risk is central to the business and to protecting Unitholders' interests and value. The Manager operates within overall guidelines and specific parameters set by the Board. Each transaction is comprehensively analysed to understand the risks involved. Responsibility of managing risks lies initially with the business unit concerned, working within the overall strategy outlined by the Board.

The Board meets quarterly or more often, if necessary and reviews the financial performance of the Manager and Atrium REIT against a previously approved budget. The Board will also review the business risks of Atrium REIT and will act upon any comments from the auditor. In assessing business risk, the Board considers the economic environment and risks relevant to the property industry. The Board reviews management reports and feasibility studies on proposed property acquisition prior to approving the transaction.

RELATED PARTY TRANSACTIONS

The Manager will comply with all requirements as laid out in the REIT Guidelines, the Deed and the Listing Requirements of Bursa Securities.

The Manager has established procedures that will ensure that all related party transactions undertaken are in full compliance to the REIT Guidelines as detailed below:

- (a) on an arm's length basis;
- (b) in the best interests of Unitholders;
- (c) in relation to a real estate transaction:
 - (i) transacted at a price that is equivalent to the value assessed in the independent valuation report;
 - (ii) consented by the Trustee; and
 - (iii) consistent with the investment objectives and strategies of the Atrium REIT; and
- (d) adequately disclosed to Unitholders.

Where the transaction value with related parties in relation to a real estate is equal to or greater than 5% of the total asset value of the fund (after acquisition), the prior approval of the Unitholders by way of an ordinary resolution is required. However, if the transaction value does not exceed 5% of the total asset value of the fund (after acquisition), the Trustee must provide a written confirmation that the transaction is based on normal commercial terms, at arm's length, and not prejudicial to the Unitholders' interests.

WHISTLE BLOWING POLICY

The Board has put in place procedures to provide employees of the Manager with defined and accessible channels to report on suspected fraud, corruption, dishonest practices or other similar matters relating to Atrium REIT or the Manager, and for the independent investigation of any reports by employees and appropriate follow up action.

The aim of the whistle blowing policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly, and to the extent possible, be protected from reprisal.

COMMUNICATION WITH UNITHOLDERS AND INVESTORS

The Board acknowledges the importance of regular communication with Unitholders and investors to ensure that they are well informed of the activities and performance of Atrium REIT. The communication channels are via annual reports, quarterly financial reports and the various disclosures and announcements on the Bursa Malaysia Securities Bhd website as well as through its own website at www.atriumreit.com.my.

OTHER INFORMATION

Family Relationship with any Directors and/or Major Unitholder

None of the Directors of the Manager has any family relationship with any other Directors or Major Unitholders.

Conflict of Interest

Save for the Director's interest in Atrium REIT (as disclosed under Directors' Interest in the Manager's Report) no conflict of interest has arisen during the financial year under review.

Convictions for Offences

None of the Directors has been convicted for offences within the past 10 years.

Material Contracts

There were no material contracts entered by the Trust that involved the Directors of the Manager or substantial Unitholders of the Trust during the financial year under review.

Directors' Training

The Directors are encouraged to attend briefings and seminars to keep abreast with the latest developments in the industry.

During the year, the directors attended various courses/seminars in related to their responsibilities and developments in the industry. Among courses/seminars attended includes Economic and Market Update, Key Amendments to Listing Requirements and Corporate Disclosure Guide, Assessing the Risk and Control Environment and A Review on Legal Documentations and Ownership of Land in Malaysia by Foreigners.

Sanctions/Penalties Imposed

No sanctions and/or penalties were imposed on Atrium REIT, directors of the Manager or the Manager by the relevant regulatory bodies.

Non-audit Fees

There were no non-audit fees paid or payable to the Fund's auditors, or a firm or company affiliated to the auditors' firm.