

Crafting Experiences,
Enriching Communities.

ANNUAL REPORT 2019

THE
GARDENS

The Gardens Mall

MID VALLEY
MegaMall

Mid Valley Megamall

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CORPORATE INFORMATION

MANAGER

IGB REIT Management Sdn Bhd 201201006785 (908168-A)
 Capital Market Licence: CMSL/A0305/2013
 Level 32, The Gardens South Tower
 Mid Valley City, Lingkaran Syed Putra
 59200 Kuala Lumpur, Malaysia
 Telephone : 603-2289 8989
 Telefax : 603-2289 8802
 Website : www.igbreit.com
 Email : corporate-enquiry@igbreit.com
 Investor Relation : investorrelations@igbreit.com
 Feedback : feedback@igbreit.com

BOARD OF DIRECTORS OF THE MANAGER

Tan Sri Dato' Prof. Lin See Yan
Chairman and Independent Non-Executive Director

Dato' Seri Robert Tan Chung Meng
Managing Director and Non-Independent Executive Director

Halim bin Haji Din
Independent Non-Executive Director

Le Ching Tai @ Lee Chen Chong
Independent Non-Executive Director

Daniel Yong Chen-I
Non-Independent Executive Director

Elizabeth Tan Hui Ning
Non-Independent Executive Director

Tan Lei Cheng
Non-Independent Non-Executive Director

CHIEF EXECUTIVE OFFICER OF THE MANAGER

Antony Patrick Barragry

HEAD OF COMPLIANCE/COMPANY SECRETARY OF THE MANAGER

Tina Chan Lai Yin

TRUSTEE

MTrustee Berhad 198701004362 (163032-V)
 Tingkat 15, Menara AmFirst
 No. 1, Jalan 19/3
 46300 Petaling Jaya
 Selangor Darul Ehsan, Malaysia
 Telephone : 603-7954 6862
 Telefax : 603-7954 3712

PROPERTY MANAGER

Chartwell ITAC International Sdn Bhd 197901008026 (52312-H)
 Suite A-6-3, Level 6, Block A
 Putra Majestik, Jalan Kasipillay
 Batu 2½, Off Jalan Ipoh
 51200 Kuala Lumpur, Malaysia
 Telephone : 603-4043 3998
 Telefax : 603-4043 9388

AUDITOR

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146)
 Level 10, 1 Sentral, Jalan Rakyat
 Kuala Lumpur Sentral
 50470 Kuala Lumpur, Malaysia
 Telephone : 603-2173 1188
 Telefax : 603-2173 1288

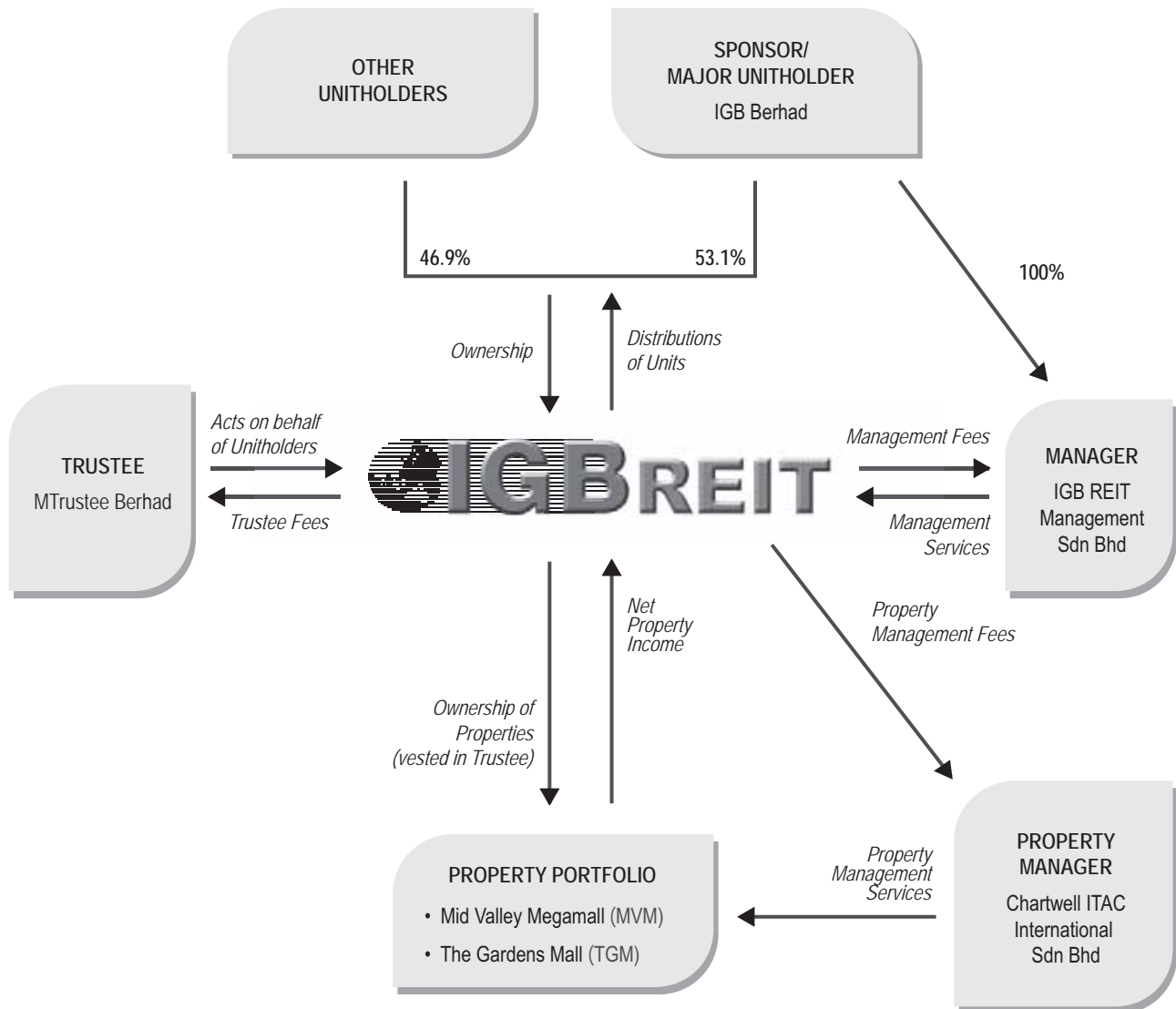
REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd 197101000970 (11324-H)
 Unit 32-01, Level 32, Tower A
 Vertical Business Suite
 Avenue 3, Bangsar South
 No. 8, Jalan Kerinchi
 59200 Kuala Lumpur, Malaysia
 Telephone : 603-2783 9299
 Telefax : 603-2783 9222

PRINCIPAL BANKER

Hong Leong Bank Berhad 193401000023 (97141-X)
 Level 1, Wisma Hong Leong
 18 Jalan Perak
 50450 Kuala Lumpur, Malaysia
 Telephone : 603-2164 2525
 Telefax : 603-2164 7922

TRUST STRUCTURE



SALIENT FEATURES

Fund Name	IGB REIT
Fund Category	Real Estate Investment Trust
Fund Type	Income and Growth
Fund Duration	<p>The earlier of:</p> <ul style="list-style-type: none"> the occurrence of any of events listed in Clause 27.2 of the Deed of Trust dated 18 July 2012, as amended by the First Amending and Restating Deed dated 25 October 2018 (Deed); the date 999 years after 25 July 2012 (the date of establishment of IGB REIT); or the date on which IGB REIT is terminated by the Manager under Clause 27.1(b) of the Deed
Investment Policy	To invest, directly and indirectly, in a diversified portfolio of income producing real estate used primarily for retail purposes
Authorised Investments	(a) Real Estate; (b) Non-Real Estate Assets; (c) Cash, deposits, money market instruments and (d) any other investments not covered by (a) to (c) but specified as a permissible investment in the Securities Commission Malaysia's (SC) Guidelines on Listed Real Estate Investment Trusts (REIT Guidelines) or as may be permitted by the SC
Investments Limits	<p>The investments of IGB REIT are subject to the following investments limits imposed by REIT Guidelines:</p> <ul style="list-style-type: none"> at least 75% of IGB REIT's total asset value (TAV) must be invested in real estate that generates recurrent rental income at all times; the aggregate investments in property development activities (property development costs) and real estate under construction must not exceed 15% of IGB REIT's TAV; and such other investment or limits as may be permitted by the SC or the REIT Guidelines
Distribution Policy	<ul style="list-style-type: none"> At least 90% of IGB REIT's distributable income Quarterly distribution (or such other intervals as the Manager may determine at its absolute discretion)
Borrowing Limitations and Gearing Policy	Up to 50.0% of IGB REIT's TAV
Revaluation Policy	Annually by an independent valuer
Manager Fee	<p>The Manager may elect to receive its fees in cash or units or a combination of cash and units (as it may in its sole discretion determine). The Manager is entitled under the Deed to the following fees:</p> <ul style="list-style-type: none"> Base Fee: up to 1.0% per annum of IGB REIT's TAV (excluding cash and bank balances which are held in non-interest bearing accounts) [FY2019: RM15,560,000] Performance Fee: 5.0% per annum of IGB REIT's net property income [FY2019: RM19,939,000] Acquisition Fee: 1.0% of the transaction value Divestment Fee: 0.5% of the transaction value
Trustee Fee	Up to 0.03% per annum of IGB REIT's net asset value
Financial Year End	31 December
Listing	Main Market of Bursa Malaysia Securities Berhad (Bursa Securities)
Listing Date	21 September 2012
Stock Name	IGBREIT
Stock Code	5227
Board Lot	100 units per board lot

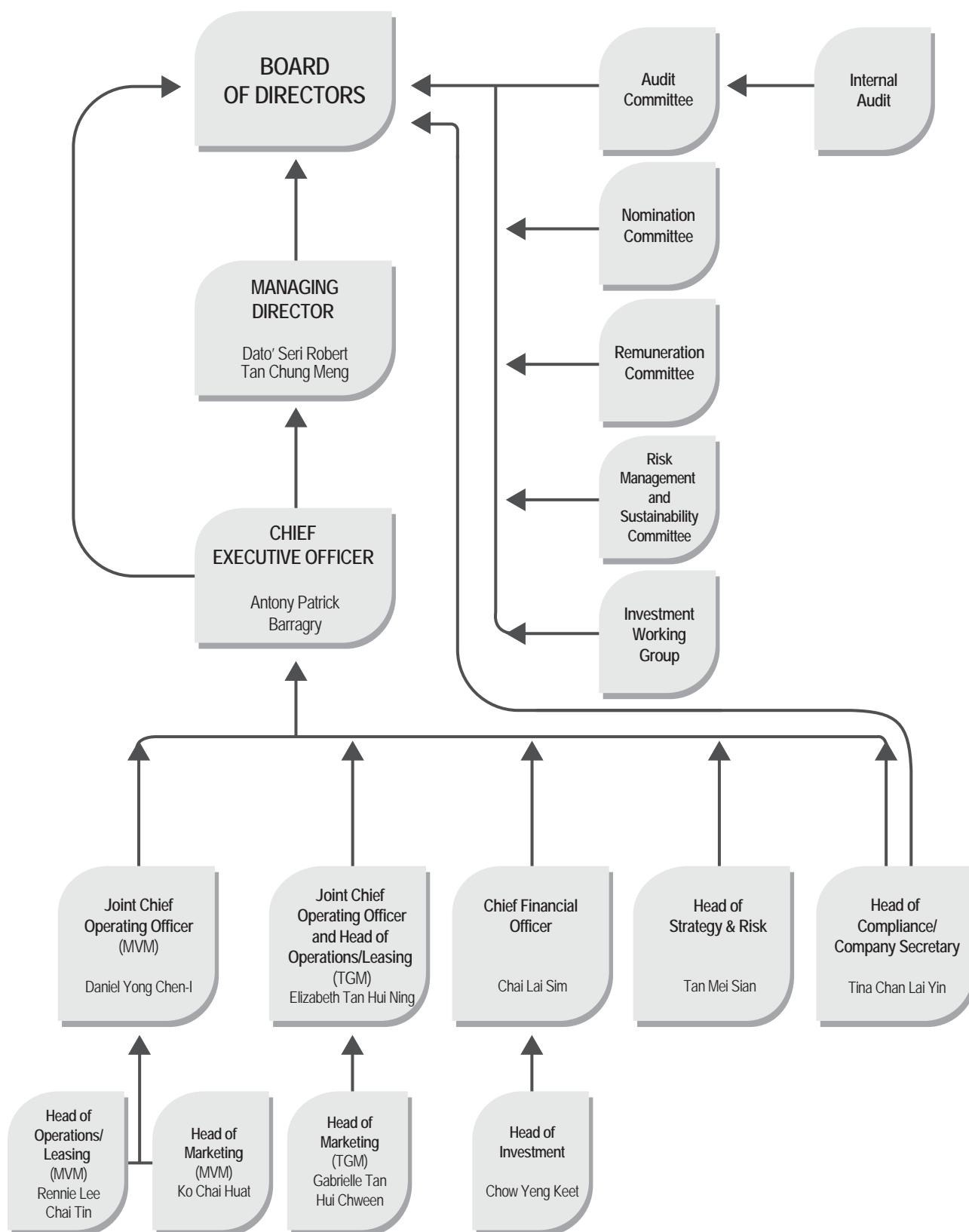
PROPERTY PORTFOLIO

Properties	MVM	TGM
Land area of master title (sq ft)	1,047,532	421,773
Tenure	Leasehold for 99 years expiring on 6 June 2103	
Master title particulars	PN 37075, Lot 80 Seksyen 95A, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	PN 37073, Lot 79 Seksyen 95A, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur [#]
Encumbrances/material limitations in master title	<ul style="list-style-type: none"> Trust caveat lodged by the Trustee on behalf of IGB REIT vide Presentation No. 15448/2012 dated 14 September 2012 Trust caveat lodged by the Trustee on behalf of IGB REIT vide Presentation No. 16050/2012 dated 26 September 2012 	<ul style="list-style-type: none"> Trust caveat lodged by the Trustee on behalf of IGB REIT vide presentation No. 14472/2012 on 30 August 2012 Trust caveat lodged by the Trustee on behalf of IGB REIT vide presentation No. 16049/2012 on 26 September 2012
Restrictions in interest in master title	This land shall not be transferred, leased, secured or charged except with the consent of the Federal Territory of Kuala Lumpur Land Executive Committee Secretariat (Tanah ini tidak boleh dipindahmilik, dipajak, dicagar atau digadai melainkan dengan kebenaran Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur)*	
Express conditions in master title	This land shall be used for commercial building only (Tanah ini hendaklah hanya untuk bangunan perdagangan sahaja)	This land shall be used for commercial building for purpose of commercial spaces, offices, hotels and service apartments only (Tanah ini hendaklah digunakan untuk bangunan perdagangan bagi tujuan ruang perniagaan, pejabat, hotel dan pangapuri servis sahaja)
Type	Retail	
Appraised Value as at 31 December 2019 (RM'000)	3,665,000	1,295,000
Purchase consideration (RM'000)	3,440,000	1,160,000
Net Lettable Area (NLA) as at 31 December 2019 (sq ft)	1,825,478	848,856
Gross Floor Area as at 31 December 2019 (sq ft)	6,107,103	3,540,796
Number of tenancies as at 31 December 2019	561	239
Occupancy rate as at 31 December 2019 (%)	99.9	98.9
Number of car park bays as at 31 December 2019	6,092	4,128

[#] TGM is separately held under 3 issue documents of strata title. The transfer of these strata titles has been registered in favour of the Trustee.

* The extended expiry date of the State Authority's consent for the transfer of MVM in favour of the Trustee is 7 January 2021.

ORGANISATION AND REPORTING STRUCTURE



PROFILE OF DIRECTORS

TAN SRI DATO' PROF. LIN SEE YAN

(Malaysian, male, age 80)

Chairman, Independent Non-Executive Director

Board Appointment : 27 April 2012

Board Committee(s) : Chairperson of Nomination and Remuneration Committees, and a member of Audit Committee

Education and Experience : Tan Sri Dato' Prof. Lin is an independent strategic and financial consultant. Prior to 1998, he was Chairman/President and Chief Executive Officer of Pacific Bank Group for 14 years previously, Deputy Governor of Bank Negara Malaysia (the Central Bank), having been a central banker for 34 years. Tan Sri Dato' Prof. Lin continues to serve the public interest, including Member of a number of key Steering Committees at Ministry of Higher Education; Economic Advisor, Associated Chinese Chambers of Commerce and Industry of Malaysia; Member, Asian Shadow Financial Regulatory Committee; Board Director, Sunway Berhad and Sunway University Sdn Bhd; and Governor, Asian Institute of Management, Manila.

Tan Sri Dato' Prof. Lin is Chairman Emeritus of Harvard University's Graduate School Alumni Association Council in Cambridge (USA) as well as President, Harvard Club of Malaysia. He is also Pro-Chancellor & Research Professor, Sunway University; Pro-Chancellor, Universiti Teknologi Malaysia; Professor of Economics (Adjunct), Universiti Utara Malaysia; and Trustee of the Tun Ismail Ali Foundation (PNB), Harvard Club of Malaysia Foundation, Prime Minister's Exchange Fellowship Malaysia, Malaysian Economic Association Foundation and Jeffrey Cheah Foundation.

Professionally qualified in the United Kingdom as a Chartered Statistician, Tan Sri Dato' Prof. Lin is also banker, economist and venture entrepreneur, having received three post-graduate degrees from Harvard University (including a PhD in Economics) where he was a Mason Fellow and Ford Scholar. He is a British Chartered Scientist. Tan Sri Dato' Prof. Lin is an Eisenhower Fellow and a Fellow of the IMF Institute (Washington DC), Royal Statistical Society (London), Asian Institute of Chartered Bankers, Malaysian Insurance Institute (Hon.), Malaysian Institute of Management and Malaysian Economic Association. He is also a Distinguished Fellow of the Institute of Strategic and International Studies in Malaysia.

Tan Sri Dato' Prof. Lin advises the board of several public companies, and a number of business enterprises in Malaysia, Singapore and Indonesia engaged in mining, petroleum related products, property development, software and private equity.

Public Company Directorship(s) : Ancom Berhad (*Non-Executive Director*)
Nylex (Malaysia) Berhad (*Non-Executive Director*)
Sunway Berhad (*Non-Executive Director*)
Wah Seong Corporation Berhad (WSCB) (*Non-Executive Director*)

DATO' SERI ROBERT TAN CHUNG MENG

(Malaysian, male, age 67)

Managing Director, Non-Independent Executive Director

Board Appointment : 21 March 2012

Education and Experience : Dato' Seri Robert Tan has vast experience in property development, hotel construction, retail design and development as well as corporate management with more than 30 years experience in the property and hotel industries. After studying Business Administration in the United Kingdom, he was attached to a firm of chartered surveyor for a year. He had developed a housing project in Central London before returning to Malaysia. His stint in the property industry began with IGB Corporation Berhad (IGBC) in 1995 when he was appointed Joint Managing Director and subsequently redesignated to Group Managing Director in 2001. He was involved in various development projects carried out by IGBC Group, in particular Mid Valley City. From inception to the realisation of Mid Valley Megamall (MVM) and The Gardens Mall (TGM), he was actively involved in every stage of their developments. He is instrumental to the development and success of MVM and TGM, and more importantly, in retaining their positions as prime shopping hotspots in the Klang Valley. Following the delisting of IGBC on 16 March 2018, he was appointed as Group Chief Executive Officer (GCEO) of IGB Berhad (IGB) on 30 March 2018.

Dato' Seri Robert Tan was the recipient of "The Edge Malaysia Outstanding Property CEO Award 2019".

Public Company Directorship(s) : IGB (*GCEO*)
IGBC
Tan & Tan Developments Berhad (Tan & Tan)
WSCB (*Non-Executive Chairman*)
Yayasan Tan Kim Yeow

PROFILE OF DIRECTORS

(continued)

HALIM BIN HAJI DIN

(Malaysian, male, age 73)

Independent Non-Executive Director

Board Appointment : 27 April 2012

Board Committee(s) : Chairperson of Audit Committee, and a member of Remuneration and Nomination Committees

Education and Experience : Halim bin Haji Din is a Chartered Accountant who spent more than 30 years working for multinational corporations and international consulting firms.

He accumulated 18 years of experience working in the oil and gas industry - 6 years of which as a Board member of Caltex/Chevron, responsible for financial management before engaging in the consulting business. Prior to his appointment as a board member of Caltex Malaysia, he served as Regional Financial Advisor for Caltex Petroleum Corporation Dallas, Texas, overseeing investment viability of the corporation's Asian subsidiaries.

He also has extensive experience in corporate recovery when he worked for Ernst & Whinney, London, United Kingdom in mid-1980's. He was appointed as Managing Partner of the consulting division of Ernst & Young Malaysia from 1995. He later became the Country Advisor of Cap Gemini Ernst & Young Consulting Malaysia when Cap Gemini of France merged with Ernst & Young Consulting. In 2003, he with two partners took over the consulting business of Cap Gemini Ernst & Young Malaysia through a management buyout and rebranded it as Innovation Associates, currently known as IA Group, where he is currently the Chairman of the group.

He was a Council Member of the Malaysian Institute of Certified Public Accountants (MICPA) from 1994 to 2003. He was a Board member of the Employees Provident Fund from April 2009 to May 2013.

He is the fellow member of MICPA and Malaysian Institute of Accountants.

Public Company Directorship(s) : BNP Paribas Malaysia Berhad
WSCB (*Non-Executive Director*)

LE CHING TAI @ LEE CHEN CHONG

(Malaysian, male, age 78)

Independent Non-Executive Director

Board Appointment : 27 April 2012

Board Committee(s) : A member of Audit, Remuneration and Nomination Committees

Education and Experience : Lee Chen Chong is a Fellow of the Chartered Institute of Bankers, London.

He spent a total of 34 years in commercial and international banking with local as well as banks overseas. He commenced his banking career with Malayan Banking Berhad in 1962 and was later the General Manager of the bank's London branch from 1972 to 1985. From 1985 to 1993, he was Executive Director of Malaysian French Bank Berhad (now known as Alliance Bank Malaysia Berhad) and subsequently appointed the Managing Director until he relinquished the post at the end of 1993. The next four years saw him spend time overseas as President and a Director of international banks in the Czech Republic, Hungary and Malta Island.

He was associated with Multi-Purpose Holdings Berhad group from 1989 until his retirement as Executive Director at the end of 2000. He was also Executive Director of Ipimuda Berhad from December 2001 until retiring in January 2008.

DANIEL YONG CHEN-I

(Malaysian, male, age 48)

Non-Independent Executive Director

Board Appointment : 27 April 2012

Board Committee(s) : A member of Risk Management and Sustainability Committee

Education and Experience : Daniel Yong Chen-I is a law graduate from University of Bristol, England.

He is the Joint Chief Operating Officer (MVM). He joined Mid Valley City Sdn Bhd (MVC) in 1999 as a member of the pre-opening retail development team. He was appointed Executive Director of MVC in 2003 and currently the Chief Executive Officer, responsible for overseeing the management and operation of MVM. He was also involved in the design and pre-opening of TGM from 2004 to 2007. His prior work experience includes the development of bespoke systems with BYG Systems Ltd in England and Operational Management with Wah Seong Engineering Sdn Bhd, the distributor and manufacturer for Toshiba Elevator and Escalators in Malaysia.

PROFILE OF DIRECTORS

(continued)

ELIZABETH TAN HUI NING

(Malaysian, female, age 36)

Non-Independent Executive Director

Board Appointment : 27 April 2012

Board Committee(s) : A member of Risk Management and Sustainability Committee

Education and Experience : Elizabeth Tan Hui Ning graduated with First Class Honours from Cardiff University, Wales, United Kingdom with a degree in Business Administration (BSc) in June 2004.

She is the Joint Chief Operating Officer and Head of Operations/Leasing (TGM). She joined Mid Valley City Gardens Sdn Bhd in August 2004, and appointed Executive Director in January 2011, and currently the Chief Executive Officer, responsible for the overall operations of TGM.

TAN LEI CHENG

(Malaysian, female, age 62)

Non-Independent Non-Executive Director

Board Appointment : 27 April 2012

Board Committee(s) : A member of Nomination and Remuneration Committees

Education and Experience : Tan Lei Cheng holds a Bachelor of Commerce from University of Melbourne, Australia and a Bachelor of Law from King's College, London (LLB Hons), England. She was admitted to the English Bar in 1983. She is a member of the Lincoln's Inn and the Young Presidents' Organisation (Gold), Malaysia Chapter.

She has more than 40 years experience in the property industry and corporate sector. She was Chief Executive Officer of Tan & Tan Developments Berhad (Tan & Tan) from March 1995, a property development company that was listed on Bursa Malaysia Securities Berhad. Following the completion of the merger between IGB Corporation Berhad (IGBC) and Tan & Tan on 8 May 2002, she assumed the role of Executive Chairman and Chief Executive Officer of Goldis Berhad (Goldis) (now known as IGB Berhad (IGB), which took over the listing of Tan & Tan). Following her retirement on 31 December 2016, she assumed the role as Non-Executive Chairman of Goldis. After the privatisation of IGBC by IGB on 16 March 2018, she remains as Non-Executive Chairman of IGB.

Public company Directorship(s) : IGB (*Non-Executive Chairman*)
Tan & Tan
Dato Tan Chin Nam Foundation

Note:

None of the Directors have:

- (i) any family relationships with any Director of the Manager and/or major unitholders of IGB REIT save for Dato' Seri Robert Tan Chung Meng, Daniel Yong Chen-I, Elizabeth Tan Hui Ning and Tan Lei Cheng.
- (ii) any conflicts of interest with IGB REIT other than the significant related party transactions as disclosed in Notes to the Financial Statements of this Annual Report.
- (iii) any conviction of offences within the past 5 years nor any sanction and/or penalty imposed by the relevant regulatory bodies during FY2019.

PROFILE OF EXECUTIVE TEAM

ANTONY PATRICK BARRAGRY

(British/Permanent Resident of Malaysia, male, age 68)
Chief Executive Officer

Appointment : 1 September 2012

Education and Experience : Antony Barragry holds a Diploma in Architecture from the University of Sheffield and a member of the International Council of Shopping Centres and The International Real-Estate Federation (FIABCI).

He is a qualified architect with more than 40 years of international experience in the design, development and operations of mixed-use developments. His prior work experience includes Jebel Ali Hotel development in Dubai, Putra World Trade Centre in Kuala Lumpur and Kempinski Ciragan Palace Hotel in Istanbul. His career with IGB group commenced with Renaissance Kuala Lumpur Hotel in 1993; then, as Project Director for phase 1 of Mid Valley City, including Mid Valley Megamall; and subsequent, appointed Executive Director of Mid Valley City Sdn Bhd in 2002, where he spearheaded the development of more than 6 million square feet of commercial space in Mid Valley City's phase 2 (The Gardens Mall and The Gardens Hotel & Residences), phase 3 (Southpoint Mid Valley, which is currently under construction) and phase 4 (Northpoint). He was also Project Director for the design and construction of St Giles Hotel-Heathrow, London, and Pangkor Island Beach Resort upgrade in 2004 (which is presently undergoing redevelopment work and will be converted into luxury villas). He was Chief Executive Officer of Mid Valley City Gardens Sdn Bhd from January 2008 until he relinquished the post in September 2012.

He does not have any family relationship with any Director of the Manager and/or major unitholders of IGB REIT. There is no conflict of interest with IGB REIT. He does not have any conviction of offences within the past 5 years nor any sanction and/or penalty imposed by the relevant regulatory bodies during FY2019.

DANIEL YONG CHEN-I

Joint Chief Operating Officer (MVM)

Please refer to description under the heading Profile of Directors in this Annual Report.

ELIZABETH TAN HUI NING

Joint Chief Operating Officer and Head of Operations/Leasing (TGM)

Please refer to description under the heading Profile of Directors in this Annual Report.

CHAI LAI SIM

Chief Financial Officer

Appointment : 1 September 2012

Education and Experience : Chai Lai Sim is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

She has over 30 years of experience in audit, corporate finance, capital management strategy including treasury, financial accounting and taxation in property development, commercial and retail property investment and hospitality industries. She began her career as an articled student with Coopers & Lybrand (now known as PriceWaterhouseCoopers) before joining Tan & Tan Developments Berhad (Tan & Tan) as Group Financial Controller in 1993. Following the completion of the merger between Tan & Tan and IGB Corporation Berhad (IGBC) in 2002, she was appointed Senior Group General Manager of Group Finance and subsequently as Group Chief Financial Officer of IGBC. After the privatisation of IGBC by IGB Berhad (IGB) on 16 March 2018, she was appointed as Group Chief Financial Officer of IGB.

PROFILE OF EXECUTIVE TEAM

(continued)

CHOW YENG KEET

Head of Investment

Appointment : 1 September 2012

Education and Experience : Chow Yeng Keet holds a Bachelor of Economics (First Class Honours) from University of Malaya and a Fellow of the Association of Chartered Certified Accountants.

He has working experience in corporate finance and advisory covering mergers and acquisitions, equity and debt fund raising, capital management and restructuring, valuations as well as take-over offers. He started his career as Corporate Finance Executive with the then Sime Merchant Bankers Berhad in 1997. Thereafter, he was with Commerce International Merchant Bankers Berhad (now known as CIMB Investment Bank Berhad) where his last position was Corporate Finance Manager prior to joining IGB Corporation Berhad (IGBC) in 2004. After the privatisation of IGBC by IGB Berhad (IGB) on 16 March 2018, he was appointed as Senior General Manager, Corporate Finance of IGB. He is also Director of Finance of Mid Valley City Sdn Bhd.

TINA CHAN LAI YIN

Head of Compliance/Company Secretary

Appointment : 1 September 2012

Education and Experience : Tina Chan is a Fellow of the Institute of Chartered Secretaries and Administrators.

She has accumulated more than 27 years of extensive experience in corporate secretarial work, having dealt with a wide-range of corporate exercises. She started her corporate secretarial career at a legal firm since 1990, and then took up the role of Joint Company Secretary in Tan & Tan Development Berhad (Tan & Tan), where she had been significantly involved in the floatation of Tan & Tan in 1993 (a property development company that was listed on Bursa Malaysia Securities Berhad until Goldis Berhad, now renamed IGB Berhad (IGB) took over its listing on 8 May 2002 following the completion of the merger between IGB Corporation Berhad (IGBC) and Tan & Tan). She joined IGBC in 1997 and subsequently assumed the role as Senior General Manager (Corporate Secretarial), overseeing the governance processes and company secretarial matters of the group, particularly with regard to ensuring that the group complies and operates in accordance with statutory and regulatory requirements, and assumed the role of Group Company Secretary of IGB after the privatisation of IGBC by IGB. She was also involved in successful listing of IGB REIT in September 2012.

TAN MEI SIAN

Head of Strategy & Risk

Appointment : 1 February 2020

Education and Experience : Tan Mei Sian graduated from the London School of Economics and Political Science with a Bachelor of Science in Economics. She was previously an Engagement Manager at Oliver Wyman, specialising in financial services strategy and risk management consulting, having worked with major financial institutions in the United States, United Kingdom, Netherlands, China, Taiwan, Hong Kong, Singapore, Malaysia, Thailand and Australia. She was a non-independent executive director of Goldis Berhad (has been renamed as IGB Berhad (IGB) on 20 March 2018) from 18 May 2016 to 30 August 2018. After the privatisation of IGB Corporation Berhad by IGB, she assumed the role of the Head of Group Strategy & Risk. She is a member of the Young Presidents' Organisation.

PROFILE OF EXECUTIVE TEAM

(continued)

RENNIE LEE CHAI TIN

Head of Operations/Leasing (MVM)

Appointment : 1 September 2012

Education and Experience : Rennie Lee joined Mid Valley City Sdn Bhd (MVC) in 1995. She has more than 25 years of work experience in leasing and operations within the retail industry. She is credited with being part of the founding team in the marketing of Mid Valley City. Her previous work experience includes leasing and marketing of Mahkota Parade in Malacca, Subang Parade and IOI Shopping centres in Kuala Lumpur. She was a key member of MVM pre-opening team. She is also General Manager of MVC.

KO CHAI HUAT

Head of Marketing (MVM)

Appointment : 1 September 2012

Education and Experience : Ko Chai Huat joined Mid Valley City Sdn Bhd (MVC) in 1999. He has 29 years of work experience in visual merchandising as well as advertising and promotions. He was formerly Visual Merchandising Manager at Atria Shopping Centre in Petaling Jaya. He directs, conceptualise and leads all design set ups for promotional activities and events in MVM. He was a key member of MVM pre-opening team. He holds a Diploma in Fine Arts. He is also Director of Design of MVC.

GABRIELLE TAN HUI CHWEEN

Head of Marketing (TGM)

Appointment : 1 September 2012

Education and Experience : Gabrielle Tan holds a Bachelor of Arts in Business Economics from the University of Exeter, United Kingdom and a Bachelor of Fine Arts in fashion design and marketing from American Intercontinental University, London, United Kingdom.

She joined Mid Valley City Gardens Sdn Bhd as Head of Marketing in 2008 and subsequently assumed the role of Director of Marketing. She oversees the advertising and promotions activities as well as the public relations initiatives at TGM.

FINANCIAL HIGHLIGHTS

	Group			Fund	
Statement of comprehensive income	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015
Gross revenue (RM'000)	552,132	535,689	524,918	507,344	489,190
Net property income (NPI) (RM'000)	398,786	386,250	373,563	361,109	342,788
Distributable income (RM'000)	341,854	341,430	342,801	316,306	290,980
Earnings per Unit (EPU) (realised) (sen)	8.91	8.60	8.64	7.96	7.33
Core EPU (sen)	8.91	9.45	9.78	7.96	7.33
Distribution per Unit (DPU) (sen)	9.16	9.19	9.28	8.71	8.19
Annualised DPU (sen)	9.16	9.19	9.28	8.71	8.19
Annualised distribution yield (%)	4.84	5.31	5.16	5.41	6.11
Management expense ratio (%)	0.98	0.96	0.94	0.93	0.91

	Group			Fund	
Gross revenue	FYE 2019 RM'000	FYE 2018 RM'000	FYE 2017 RM'000	FYE 2016 RM'000	FYE 2015 RM'000
MVM	386,850	375,048	366,447	354,677	340,045
TGM	165,282	160,641	158,471	152,667	149,145
Total	552,132	535,689	524,918	507,344	489,190

	Group			Fund	
NPI	FYE 2019 RM'000	FYE 2018 RM'000	FYE 2017 RM'000	FYE 2016 RM'000	FYE 2015 RM'000
MVM	294,941	286,357	277,875	266,263	250,384
TGM	103,845	99,893	95,688	94,846	92,404
Total	398,786	386,250	373,563	361,109	342,788

	Group			Fund	
Statement of financial position	As at 31.12.2019	As at 31.12.2018	As at 31.12.2017	As at 31.12.2016	As at 31.12.2015
Investment properties (RM'000)	4,960,000	4,960,000	4,930,000	4,890,000	4,890,000
Total asset value (RM'000)	5,220,951	5,202,966	5,250,728	5,194,257	5,170,007
Total liabilities (RM'000)	1,436,988	1,436,275	1,527,429	1,522,274	1,504,498
Net asset value (NAV) (RM'000)	3,783,963	3,766,691	3,723,299	3,671,983	3,665,509
NAV per Unit (RM)	1.0663	1.0656	1.0597	1.0511	1.0558

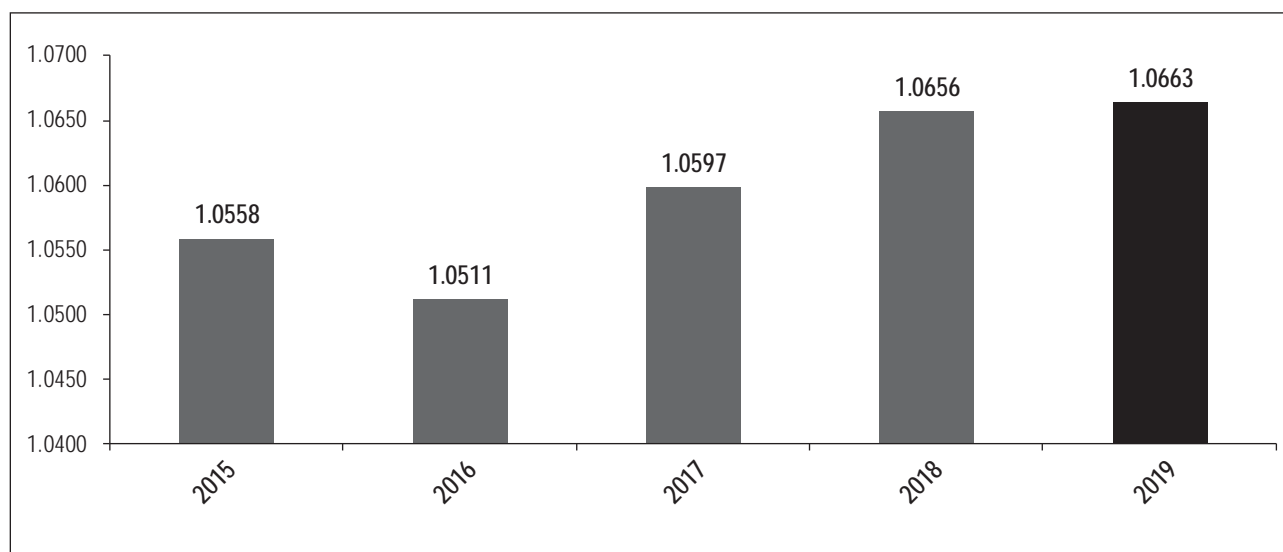
Notes:

1. FYE: Financial year ended 31 December.
2. The Group results include a subsidiary which was incorporated in 2017.

FINANCIAL HIGHLIGHTS

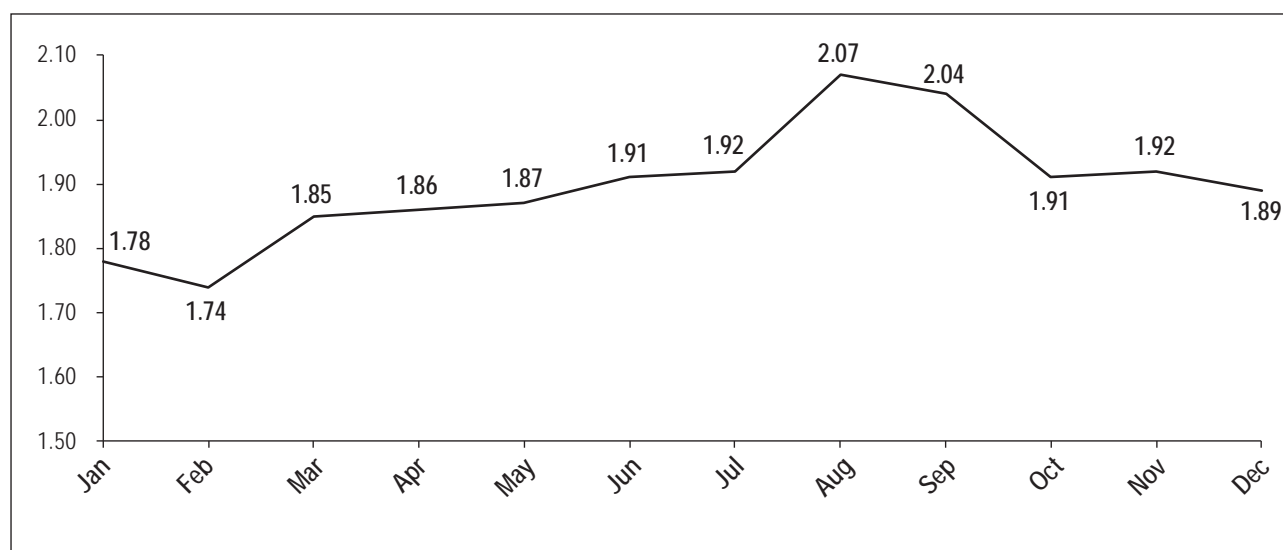
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NAV PER UNIT PERFORMANCE FOR IGB REIT (RM)



UNIT PRICE PERFORMANCE FOR IGB REIT

Month end closing price for 2019 (RM)



Trading performance for IGB REIT	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015
Closing price as at 31 December (RM)	1.89	1.73	1.80	1.61	1.34
Highest traded price (RM)	2.10	1.80	1.80	1.74	1.38
Lowest traded price (RM)	1.72	1.46	1.55	1.31	1.24
Issued units ('000)	3,548,828	3,534,810	3,513,452	3,493,474	3,471,789
Market capitalisation as at 31 December (RM'000)	6,707,285	6,115,221	6,324,214	5,624,493	4,652,197

MANAGEMENT DISCUSSION AND ANALYSIS

About IGB REIT

Established on 25 July 2012, IGB REIT is a Malaysia-domiciled real estate investment trust. Listed on the Main Market of Bursa Malaysia Securities Berhad on 21 September 2012, it owns income producing real estate that is used for retail purposes. Comprising two malls – Mid Valley Megamall (MVM) and The Gardens Mall (TGM) – located in the Klang Valley, IGB REIT's portfolio has a total net lettable area (NLA) of approximately 2.67 million square feet (sf), and as at 31 December 2019, had a market capitalisation of RM6.71 billion. Its investment properties are independently valued at RM4.96 billion.

IGB Berhad is the major unitholder of IGB REIT with a shareholding of 53.06% as at 31 December 2019.

2019 Highlights

Gross Revenue RM552.1 million RM535.7 million in 2018	Net Property Income (NPI) RM398.8 million RM386.3 million in 2018	NLA 2.67 million sf 2.67 million sf in 2018
Occupancy Rate 99.6% 98.6% in 2018	Distribution per unit (DPU) 9.16 sen 9.19 sen in 2018	Distribution Yield 4.8% 5.3% in 2018
Property Valuation RM4.96 billion RM4.96 billion in 2018	Net Asset Value (NAV) per unit RM1.0663 RM1.0656 in 2018	Market Capitalisation RM6.71 billion RM6.12 billion in 2018

Creating Memories in a Decade of Change

2019 not only marked the end of another tumultuous year, but the end of a decade which saw significant changes across the globe. In the past 10 years, technology has advanced at breakneck speeds, bringing to the masses digital platforms that have brought us unprecedented access to information and enabled a new genre of businesses to emerge. Mobile phones now outnumber people, and service sector jobs now make up an increasing share of jobs worldwide. At the same time, the pressure to address climate change is at an all-time high. We are seeing a rate of decline in biodiversity that is faster than at any other time in human history, and the number of people who have forcibly been displaced has reached record numbers.

Bringing to a close a decade that has significantly changed the face of the planet, 2019 has been another volatile year that has seen a moderation in global growth. The year was marked by continued trade tensions between the United States of America (US) and China, prolonged uncertainty over Brexit in the United Kingdom (UK), and geopolitical tensions in Asia such as the continued unrest in Hong Kong, and fraught bilateral relations between India and Pakistan. Malaysia has not been spared from the impact of these global tensions. Coupled with slow economic momentum domestically, and limited policies to stimulate consumer spending, we have seen an overall softening of consumer spending this year.

Since IGB REIT was established in 2012, we have worked hard to offer relevant, exciting, and memorable retail experiences to our customers. From the very beginning, we understood that in Malaysia, malls are more than just places that people go to and shop. They are the heart of a community and the hub of a neighbourhood. As such, malls are also where families and friends gather to have a meal or just enjoy some leisure time with the people they love, creating shared memories that can become shared traditions over time. It is this understanding that has driven everything that we have done through the years, and 2019 is no exception.

As the decade comes to a close, we are proud to report that IGB REIT enjoyed another year of positive growth and received the award for "Highest Return on Equity Over Three Years" at The Edge Billion Ringgit Club 2019 Awards under the REIT category, this year. This report covers the period from 1 January 2019 to 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

Financial Review

a) Group Key Financial Highlights

Key Financial Highlights	FY2019 RM'000	FY2018 RM'000	Change (%)
Gross Revenue	552,132	535,689	3.07
• <i>MVM</i>	386,850	375,048	3.15
• <i>TGM</i>	165,282	160,641	2.89
NPI	398,786	386,250	3.25
• <i>MVM</i>	294,941	286,357	3.00
• <i>TGM</i>	103,845	99,893	3.96
Net Profit (NP)	315,860	333,753	-5.36
DPU (sen)	9.16	9.19	-0.33

For FY2019, the Group delivered steady growth driven mainly by higher rental income. We posted a gross revenue of RM552.1 million and a NPI of RM398.8 million for the year, which were 3.07% and 3.25% higher respectively, than those recorded in FY2018.

Despite achieving a higher gross revenue and NPI for FY2019, NP was RM315.9 million, 5.36% lower as compared with the NP achieved in FY2018. This was mainly due to fair value gain on investment properties of RM30.0 million in FY2018.

b) Statement of Financial Position

Group Statement of Financial Position	As at 31.12.2019	As at 31.12.2018	Change (%)
Investment Properties (RM'000)	4,960,000	4,960,000	-
• <i>MVM</i>	3,665,000	3,665,000	-
• <i>TGM</i>	1,295,000	1,295,000	-
Total Asset Value (RM'000)	5,220,951	5,202,966	0.35
Cash and bank balances (RM'000)	225,509	207,123	8.88
Total Liabilities (RM'000)	1,436,988	1,436,275	0.05
NAV (RM'000)	3,783,963	3,766,691	0.46
NAV per Unit (RM)	1.0663	1.0656	0.07
No. of Issued Units ('000)	3,548,828	3,534,810	0.40

Investment properties are stated at fair value based on valuations performed by independent registered valuer One Asia Property Consultants (KL) Sdn Bhd. The valuer holds relevant professional qualifications and has recent experience in valuing investment properties in similar locations and categories. Based on the valuation reports dated 6 January 2020, the market values of MVM and TGM as at 31 December 2019 remained at RM3.665 billion and RM1.295 billion respectively.

Cash and bank balances as at 31 December 2019 was RM225.5 million, compared with RM207.1 million as at 31 December 2018.

NAV after income distribution as at 31 December 2019 was RM3.784 billion. This compared with RM3.767 billion the year before, reflecting a growth of 0.46%.

IGB REIT's issued units increased from 3,534.810 million as at 31 December 2018 to 3,548.828 million as at 31 December 2019. This was mainly due to the issuance of new units which formed part of the payment of Manager fees.

MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

c) Income Distribution

	FY2019 (RM' million)	FY2018 (RM' million)
Income distribution	324.7	324.5
• 1 st quarter	85.0	87.4
• 2 nd quarter	80.1	75.5
• 3 rd quarter	82.0	80.9
• 4 th quarter	77.6	80.7
Payout ratio (%)	95.0	95.0

For the first quarter ended 31 March 2019, the Manager paid a distribution amounting to RM85.0 million or 2.40 sen per unit (2.36 sen taxable and 0.04 sen non-taxable) on 31 May 2019.

For the second quarter ended 30 June 2019, the Manager paid a distribution amounting to RM80.1 million or 2.26 sen per unit (2.22 sen taxable and 0.04 sen non-taxable) on 30 August 2019.

For the third quarter ended 30 September 2019, the Manager paid a distribution amounting to RM82.0 million or 2.31 sen per unit (2.27 sen taxable and 0.04 sen non-taxable) on 29 November 2019.

For the fourth quarter ended 31 December 2019, the Manager will be making a distribution amounting to RM77.6 million or 2.19 sen per Unit (2.15 sen taxable and 0.04 sen non-taxable), to be payable on 28 February 2020.

In aggregate, the distributable income for FY2019 amounted to 9.16 sen per unit.

The Manager has decided that at least 90% of IGB REIT's distributable income will be paid quarterly for FY2020, subject to IGB REIT's financial position, earnings, funding, and capital management requirements. This is in line with the Manager's objective of providing investors with regular and stable income distribution.

A Commitment to Crafting Experiences & Enriching Communities

Year after year, we have remained committed to offering our customers retail experiences that are fresh, engaging, and relevant. This year has been no different. We continued to bring in new and exciting brands to refresh our tenant mix, and engage both our online and on ground communities through various events and campaigns held both in our malls and on our social media platforms. We also continued to work to upgrade both MVM and TGM, carrying out asset enhancement initiatives (AEIs) to improve shopping experiences by enhancing the ambience in our malls, as well as providing additional customer support and facilities, thus allowing for greater shopper convenience and security.

AEIs

MVM's AEIs continued this year, with many focused on making the mall more convenient and welcoming for visitors. The interior of all lifts, for example, received a makeover, which saw the installation of new finishes that made them brighter. A remodelling exercise at the Centre Court also took place in the year to open up the space, and the common areas on the first, second and third floors received a new coat of paint. A lounge for Grab passengers was also created at the North Entrance, and reconfiguration works on the Ground Floor East was also carried out. The reconfiguration saw escalators and tenants in the area repositioned to enhance visibility and help increase sales. Additional works were also carried out to address wear and tear of mall facilities. All mechanical & electrical room doors were replaced, the incoming pipe for cold water plumbing to tanks was changed, and the waterproofing for the cooling tower was refreshed. Upgrading works on the South East external façade also kicked off and will see the outer wall repainted and new signages installed. These works are targeted to be completed by the middle of 2020.

TGM also carried out AEIs in the year, all escalators in the mall have now been upgraded to enhance safety and performance, as well as to allow for greater energy efficiency. The first phase of upgrading works on the lower ground level has been completed, with improvements made to the floors and ceilings. Kiosks have also been reconfigured to enhance lighting and visibility. The mall also opened the new The Gardens Club Lounge on the fifth floor, which now offers members a larger space to relax in. A kid's lounge was introduced for the convenience of members and to enhance their overall experience. A new waiting area for Grab passengers was also created in the year, and all security cameras in the basement car parks were upgraded to enhance security for our visitors.

To keep our tenant mix fresh and relevant, we also welcomed new tenants to our malls this year. New tenants at MVM included Fresh, Sans & Sans, Etude House, Dior, Lancome, EICHITOO, Palsaik Korean BBQ, Lazo Diamond Jewellery, Pop Pizza, Tiger Sugar, Giorgio Armani Beauty, Santan/T&Co, Minimalist Lab, A&W and Family Mart, amongst others. TGM welcomed new tenants as well, including Hydro Flask, Ambon Boenda, Lucky Mala Noodle, Isaac Toast & Coffee, Hershel Supply & Co, Sometime by Asian Designers, Elevation Time Stops, Beauty in the Pot, and SNITCH by The Thieves.

MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

Community Engagement

Recognising the power and influence that the online community wields, we have worked hard to ensure that we continue to strengthen our engagement through our social media platforms. One of the ways that we have done this is through working with our tenants to craft and extend special promotions and activities for this segment, and sharing in-store promotions through our social media accounts to help create awareness and support tenant launches. Several other social media campaigns were also carried out in the year to much success. MVM hosted a Hari Raya Cook-Off Contest where the online community was encouraged to share Hari Raya recipes through recorded cooking demonstrations that were then posted on the mall's Facebook page. The mall ran a photo contest in conjunction with Hari Raya, where people were encouraged to post photos with their families showcasing the festive decorations set up by the mall. During the Mega Sale, a snap and win activity was hosted, where shoppers were encouraged to take a photo at a photo booth set up by the mall and post it on Instagram. Instax Mini 9 Cameras were given out as a weekly reward for the best photo posted. Our online community is also kept top of mind whenever events or campaigns are set up at our malls, in particular, part of our planning now includes the set-up of areas that encourage photos to be taken, shared online, and hash tagged to help build momentum and awareness.

We also continued to work hard to build strong relationships with our existing tenants so that we are better able to work collaboratively with them and support their business plans where we can. A few tenants were relocated this year for example, allowing them to achieve their plans to expand and reposition their brand. Additionally, we also provided support to tenants looking to engage shoppers through on-ground events. In October for example, Popular organised a "Reading is Fun" event to help children develop positive reading habits and a greater attention to detail. We are also constantly on the lookout for new and exciting brands and have adopted a pro-active leasing and tenant approach to ensure that MVM and TGM are always top of mind with retailers looking to establish themselves in Malaysia or who are looking to launch new concepts. This year for example, several existing tenants moved to larger spaces and launched new concept stores featuring innovative visual merchandising, an expanded merchandise offering, as well as fresh and modern store designs. All of these have contributed to enhancing the shopping experience at TGM.

As part of our plans to better engage with our community, we also continued to organise activities to increase visitor engagement and promote a more memorable shopping experience at our malls. MVM for example, tied up with several international brands in the year including Disney and LEGO. A Mickey and the Roadster Racers Super-Charged Event for example, was held in January. The event included a meet and greet session with Mickey and Minnie. The mall also worked with LEGO to release exclusive limited-edition LEGO sets during Chinese New Year, and in conjunction with the launch of The LEGO Movie 2: The Second Part, activities for kids aimed at inspiring creativity and imagination were also planned. MVM also worked with tenants to arrange weekend hobby classes for visitors to take part in. These classes targeted visitors to our malls across all age groups and sought increase exposure for our tenants through engaging activities that also elevated the shopping experience. TGM planned a variety of themed and event-driven marketing activities in the year. For example, they collaborated with AmBank and organised an event called "BALloon of a Time", where shoppers were recruited to be game show contestants who stood to win shopping rewards sponsored by AmBank. TGM also organised its first Christmas Tree Lighting Ceremony which involved shoppers and contributed to the mall festivities. As part of the ceremony, gifts and treats were handed out.

With these strategies, we have managed to continue to grow year after year and remain one of the top retail destinations in the Klang Valley.

Challenges in the Year

2019 was not without its challenges however. With the Government tightening the process for recruiting and renewing foreign workers, Malaysia as a whole has faced a severe shortage of manpower. We have not been spared and have suffered staffing shortages, particularly within our security and housekeeping teams. To address this, we have had to review how we have manned various stations and redeployed staff appropriately to fill the gaps. Another challenge faced this year was the unscheduled water shortages that occurred in Kuala Lumpur. Though both MVM and TGM had water supply during the shortages, the prolonged disruption in August in particular, affected our water pressure and inconvenienced many of our food & beverage (F&B) operators. Additionally, these shortages required the malls to incur additional costs in order to mitigate these occurrences.

Looking Ahead

2019 was a challenging year for the retail industry, not just in Malaysia, but around the world. In the US, we saw companies such as Forever21 and Barneys undertake bankruptcy proceedings, and in the UK we saw larger retail conglomerates purchase smaller but long established brands like Karen Millen before they went into administration. As we move into 2020, we expect the retail environment to continue to be challenging and anticipate consumer sentiment to remain weak. Some segments will perform better than others, and we are anticipating that trade categories such as F&B and fashion will continue to enjoy positive growth.

Several trends will continue to shape the evolution of the retail industry, and it is our ability to adapt to these trends that will determine our long-term sustainability as a business. One such trend is the increasing pervasiveness of digital tools that are available to both companies and consumers. On the one hand, these tools have given companies a means to obtain insights into consumer preferences and better engage with their target consumer group in a meaningful manner. However, on the other hand, the increasing ease with which consumers can now shop online has also changed their relationship with retailers, and companies are going to have to review the way they grow their business so as to balance and optimise on ground and online sales.

MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

In Malaysia, there is a growing trend for consumers to shop online, however the impact here has not been as significant as in other countries. Malls in Malaysia are still more than just places that people go to and shop, they are hubs of community and meeting places for friends and family looking to spend quality leisure time over food, entertainment, and play. As such, although the threat posed by online shopping is not something that the industry here is immediately grappling with, it is definitely something that we continue to keep an eye on. Not only are we increasing our engagement online, we are working with our tenants to ensure that they continue to be innovative in their approach to growth and sales, and utilise social media to engage their customer base.

Another trend that we are keeping an eye on is the changing preferences of millennials who are increasingly connecting more with brands that are authentic and who are responsible corporate citizens seeking to drive sustainability in the industry. The latter has received a significant push this year as the climate crisis was brought front and centre across the world with people coming out in droves in September to demand that action be taken to address climate change. Moving forward, we will remain cognisant of this as we continue to keep our tenant mix fresh and relevant, and also be conscious of this as we strengthen our engagement with our community. In 2020, we will also continue to increase our efforts at connecting with our consumers at an emotional level, and work hard to create memorable experiences through events, campaigns, and experiential marketing.

The year also saw KL Eco City, a mixed-use development by SP Setia continue to establish itself, and in November this year, we saw the opening of the highly anticipated KL Eco City Link Bridge. With these developments, we have seen a change in the travel habits of shoppers and office workers in the area, and have observed encouraging footfall as a result. As KL Eco City continues to mature, we believe that together we will be able to create a dynamic hub that will benefit the area in the medium to long term.

These are pivotal times for the retail industry as technology and an increasing pressure to address environmental issues shape consumer views, interactions, and expectations across industries, including retail. The retail landscape is going through significant changes, and we can expect continued volatility as brands find their footing in this rapidly evolving environment. We are therefore entering 2020 cautiously, but remain firm in our commitment to create sustained long-term value for our stakeholders and bring to our communities' retail experiences that will create shared memories and traditions for generations to come.

Risk Management Integral to Sustained Success

IGB REIT has a proactive approach to risk management. In July 2019, the Board approved the revised "IGB REIT Risk Management Policy and Framework" which was renamed the "IGB REIT Strategy & Risk Framework" (Framework). This revised Framework is based on the Committee of Sponsoring Organisations of the Treadway Commission's (COSO) Enterprise Risk Management (ERM) update 2017 – Integrating Strategy with Performance framework, which focuses on integrating risk and strategy in the organisation.

This new framework integrates ERM with business strategies and processes. This results in the generation of better information to support improved decision-making, which ultimately leads to enhanced performance. This framework helps to improve the conversation of risk across the whole value cycle of an organisation.

Risk management is not about eliminating risks. IGB REIT's robust risk management seeks to mitigate unexpected operational surprises and losses, reduce performance variability, improve resource deployment, identify and manage entity-wide risks, as well as increase the range of opportunities available to the organisation.

The IGB REIT culture pertaining to strategy and risk is one of ownership. The functional units identify and evaluate strategies and risks themselves, and ensure that strategic plans and any mitigating actions implemented are aligned with the Framework.

We strongly believe that the revised Framework, and the risk culture that currently thrives within our organisation, allows us to effectively implement risk management activities that not only manage significant business risks in a timely manner, but help us achieve our strategic objectives.

(a) Interest Rate Risk

The Group's income and cash flows are substantially independent of changes in market interest rates. This is because the borrowings are made up of AAA-rated Medium Term Notes bearing a fixed coupon rate which locks in the interest rate against any fluctuations resulting in exposure to fair value and cash flow interest rate risk.

(b) Credit risk

Credit risk arises from credit exposures to outstanding receivables from the tenants, as well as cash, cash equivalents and deposits with banks and financial institutions.

Credit risk with respect to trade receivables is limited due to the nature of business which is mainly rental related and cash-based. Credit risks arising from outstanding receivables from the tenants are mitigated and monitored by the strict selection of tenants and/or business associates with high creditworthiness. Trade receivables are monitored on an on-going basis via compliance with standard operating and reporting procedures. Other than anchor tenants, namely Aeon BIG, Aeon, Metrojaya, Golden Screen Cinemas (GSC), Isetan, Robinsons and GSC Aurum Theatre, which contribute 9.5% (2018: 10.0%) of the rental income, the Group does not have any significant exposure to any individual or group of tenants or counterparties.

MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

In view of the above, no additional credit risk beyond amounts allowed for collection losses is inherent in the Group's trade receivables.

With regards to cash, cash equivalents and deposits held with banks and other financial institutions, the Group only engages licensed financial institutions with high credit ratings assigned by credit rating agencies. As such, the risk of any material loss resulting from non-performance by a financial counterpart is considered to be low.

(c) Liquidity and Cash Flow Risk

The rolling forecasts of liquidity requirements are monitored to ensure there is sufficient cash to meet operational needs while maintaining sufficient headroom on the committed borrowing facilities.

Adequate cash, cash equivalents and bank facilities are maintained and monitored to finance operations, distribute income to unitholders, and mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts (REIT Guidelines) concerning limits on total borrowings.

Cash and bank balances for the Group are expected to assist in liquidity and cash flow risk management.

(d) Capital Management

Capital is the unitholders' capital and borrowings.

The overall capital management objectives are to safeguard the ability to continue as a going concern in order to provide returns for unitholders and other stakeholders, as well as to maintain a more efficient capital structure.

The Manager's on-going capital management strategy involves maintaining an appropriate gearing level and adopting an active interest rate management strategy to manage the risks associated with refinancing and changes in interest rates. The Manager intends to implement this strategy by (i) diversifying sources of debt funding to the extent appropriate, (ii) maintaining a reasonable level of debt service capability, (iii) securing favourable terms of funding, (iv) managing its financial obligations and (v) where appropriate, managing the exposures arising from adverse market interest rates, such as through fixed rate borrowings, to improve the efficiency for the cost of capital.

The gearing profile of the Group is as follows:-

	31.12.2019 RM' million	31.12.2018 RM' million
Borrowings	1,214	1,214
Cash and bank balances	(226)	(207)
Net gearing	988	1,007
Total Unitholders' fund	3,784	3,767
Net gearing (%)	26%	27%
Loan-to-total asset value (LTV) (%)	23%	23%

In FY2019, net gearing was 26%. LTV was 23% for the year, which is below the limit (50% of total asset value) allowed by the REIT Guidelines.

(e) Business/Market Risk

Malaysia is an export-driven economy and is thus exposed to economic fluctuations not only domestically, but from around the world. This year for example, growth was moderated due to continued US-China trade tensions and the ongoing uncertainty around Brexit, amongst others, which impacted both consumer and investor sentiment.

These events impact sales and therefore the bottom line of both our tenants and ourselves. To counter these fluctuations, our teams work very hard in partnership with our tenants and business partners to ensure that our operations are well supported.

This year for example, we continued to improve accessibility and connectivity to our malls and surrounding areas, and also reconfigured spaces to help boost visibility for our tenants and increase footfall. We also worked hard to organise marketing events and actively engaged our communities both on the ground as well as online. We also continued to enhance our tenant mix and embark on AEs to help support growth in sales for the year. Through these efforts, we seek to grow our visitor numbers, strengthen our retail mix, and promote higher interaction with our customers both on the ground and online.

As a result of our efforts, both MVM and TGM have reported positive growth in revenue (3.15% and 2.89% growth respectively when compared to 2018).

MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

(f) Regulatory and Compliance Risk

IGB REIT is subject to Malaysia's local laws and regulations which include those relating to employment, data privacy, and anti-corruption, amongst others. We have in place a framework which not only allows us to proactively identify any new laws or regulatory obligations that apply to us, but ensures that all business units comply with them in their day to day operations. Our teams work hard to ensure that we remain compliant with all applicable laws and regulations and are prepared to manage any changes which may impact our business.

We are currently drafting the Anti Bribery and Corruption Policy for implementation before 1 June 2020 in line with the Malaysian Anti-Corruption Commission (Amendment) Act 2018.

(g) Tenant Concentration Risk

No single tenant or group of tenants contribute more than 10% of IGB REIT's total gross rental income. However, we do rely on major anchor tenants for a substantial proportion of our NLA which may significantly expose IGB REIT to concentration risk.

To mitigate our exposure to tenant concentration risks, we employ proactive leasing strategies, actively engage tenants for forward renewals, and spread out the portfolio lease expiry profile. We also closely monitor the performance of all anchor tenants and work to support them where appropriate. Moreover, we continually assess our tenant mix and bring in fresh new brands, further diversifying our tenant base.

(h) Human Capital Risk

Chartwell ITAC International Sdn Bhd (Property Manager) has engaged Mid Valley City Sdn Bhd and Mid Valley City Gardens Sdn Bhd (Service Providers) to employ and manage the people who run our malls.

The Service Providers are committed to attracting, retaining, and developing the talent we need to drive sustainable growth and believe in cultivating an environment that empowers our employees to effect change and actively be a part of our growth journey. Talent development continues to be a key component of the human capital development approach adopted by the Service Providers. They ensure that all employees not only receive the training they need to excel professionally, but are also supported should they wish to pursue longer term certifications. Employment packages also continue to be competitive, with all employees receiving comprehensive medical coverage and insurance.

In order to ensure that we continue to attract and retain the right people for our business, the Service Providers continually review, assess, and update human capital development policies and procedures in place. They do this to ensure that we remain a vibrant and dynamic organisation that is able to retain and attract talent who help us continue to offer our customer base retail experiences that are fresh and dynamic. Examples of some of the areas that the Service Providers look into include identifying potential staffing gaps and redeploying staff where required, reviewing existing succession plans, and exploring initiatives to better retain staff.

People have and will continue to be the heart of our business, and it is the continued belief of the Service Providers that it is only through investing in people that we can realise our potential as a business and continue to have a positive impact on our communities.

(i) Terrorist Threats

The threat of a terrorist attack on one of our properties continues to be very real. We take security on our properties very seriously and work in partnership with Polis Diraja Malaysia and other enforcement agencies to ensure that we receive timely information and intelligence on potential threats so that we are able to prepare and take preventive measures where required.

We also continue to strengthen our security procedures and protocols as well as work on keeping our crime prevention activities up to date. We continually invest in the training of our security teams as well as in electronic security devices which help to monitor, detect, and deter crime. This year, a Business Continuity Plan which incorporates a Crisis Management Manual has been drafted, allowing for Emergency Response Teams to be established and standard operating procedures to be enforced.

(j) Health and Safety Risk

Health and Safety incidents that occur in our malls affect the lives of our communities. Not only could they result in loss of life, any lapses may also cause a loss of confidence in our business and impact our reputation. These in turn will affect the profitability and long-term sustainability of our business.

We are committed to prioritising the health and safety of our employees, tenants, and shoppers, and have a zero tolerance for any loss of life. Our Safety, Health, and Environment Committee oversees the health and safety of our business and works to ensure that our health and safety policies are kept up to date and incorporated into our daily operations. Our teams also track all health and safety incidents that occur within our malls and ensure that they are thoroughly investigated, with all the necessary follow up actions taken.

Regular safety briefings, trainings, and inspections are carried out to ensure compliance with the Occupational Safety and Health Act, and to manage safety risks within our malls. Fire drills are also held annually to ensure that all employees and tenants are familiar with escape routes as well as the actions needed to be taken in the event of an emergency. Our Safety, Health, and Environment Committee also meets once every quarter to review all matters pertaining to health and safety within our malls.

MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

(k) Information and Cyber Security Risk

A breach or failure of IGB REIT's information technology systems could disrupt our operations, result in a breach of compliance obligations, cause reputational damage, and expose us to financial/data loss.

To mitigate these threats, the Group Information Technology (GIT) department of IGB Berhad, the Manager's parent company, have established policies and procedures to manage IGB REIT's IT security risks. They have worked to ensure that there are relevant preventive, detective, and recovery measures in place. GIT department also monitors the health of all systems and performs contingency planning for disruptions to critical systems and processes.

(l) Changing Consumer Preferences and Shopping Habits

A large part of our continued longevity depends on our ability to remain relevant to our customer base. In the last decade in particular, we have seen a rapid change in consumer preferences and shopping habits. Two key trends have played a significant part in these changes, namely – the emergence of the internet and its accompanying digital tools and platforms, and the increasing importance that is being placed on sustainability. The former has allowed companies to better engage with their customers in a more meaningful manner, but it has also meant that customers can now easily shop online and that they play a larger role in shaping brand conversations. The latter has driven a wave of consciousness around the impact that we have had on the earth and the need to find more sustainable approaches moving forward. This has translated into customers now seeking more authentic experiences with brands and placing a greater emphasis on sustainable industry practices.

In order for IGB REIT to continue to remain relevant, we need to keep an ear to the ground and monitor the evolution of these trends, particular as they impact the domestic retail market. We remain committed to crafting dynamic retail experiences for our customers, and will continue to work hard to ensure that what we offer remains relevant and exciting for them.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

IGB Real Estate Investment Trust (IGB REIT) is a retail-focused REIT constituted by the Deed of Trust dated 18 July 2012 as amended by the First Amending and Restating Deed dated 25 October 2018 (collectively, the Deed) between IGB REIT Management Sdn Bhd (IGB REIT Management), as manager of IGB REIT (Manager), and MTrustee Berhad, as trustee of IGB REIT (Trustee). IGB REIT is a collective investment scheme under the Securities Commission Malaysia's (SC) Guidelines on Listed Real Estate Investment Trusts (REIT Guidelines). IGB REIT is listed on the Main Market of the Bursa Malaysia Securities Berhad (Bursa Securities).

The Manager is responsible for the strategic direction and management of the assets and liabilities of IGB REIT. As a REIT manager, the Manager is licensed by the SC and holds a Capital Markets Services Licence for REIT management. The Manager must act in good faith and in a manner consistent with what it reasonably considers to be in the best interests of IGB REIT and its unitholders (UHs). The Manager has no fixed term of appointment and therefore the appointment continues until it is removed or replaced or retires as provided for in the Deed. IGB REIT pays fees to the Manager for carrying out its responsible entity duties. The Manager is a wholly-owned subsidiary of IGB Corporation Berhad (IGBC), which in turn is wholly-owned by IGB Berhad (IGB), a controlling UH of IGB REIT.

The Board of Directors (Board or Directors) of the Manager recognises the importance of corporate governance (CG) in achieving the investment objectives of IGB REIT, and discharging its responsibilities to all stakeholders of IGB REIT. The CG framework, as summarised in this Statement, has been designed to ensure that IGB REIT is effectively managed, the regulatory requirements are met, and IGB REIT's culture of corporate integrity is reinforced.

This Statement provides an insight on the Manager's CG framework and practices in compliance with the principles of the Malaysian Code on Corporate Governance (MCCG). Deviations from the MCCG are explained. The Manager would strive to continuously enhance its CG arrangements to reflect changing conditions and emerging sound practices, as appropriate.

The Manager's key corporate policies referred to in this Statement are available to view under the 'Governance' section of IGB REIT's website at www.igbreit.com. The Board reviews these documents periodically to ensure their effectiveness and appropriateness.

This Statement is current as at 22 January 2020 and has been approved by the Board.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders (SHs) and other stakeholders are understood and met.

The Manager adopts the principles that an effective Board is one constituted with the right core competencies and diversity of experience, so that the collective wisdom of the Board can give guidance and provide insights as well as strategic thinking to the management team.

As at the date of this Statement, the Board comprises 7 members of whom 4 are Non-Executive Directors (NEDs), 1 Managing Director (MD) and 2 Executive Directors (EDs). The Chair of the Board (Board Chairman), Tan Sri Dato' Prof. Lin See Yan (TSL), is an Independent NED (INED). He is joined on the Board by Halim bin Haji Din (HHD) (INED), Lee Chen Chong (LCC) (INED), Dato' Seri Robert Tan Chung Meng (DSRT) (MD), Daniel Yong Chen-I (DYCI) (ED), Elizabeth Tan Hui Ning (ETHN) (ED) and Tan Lei Cheng (TLC) (Non-INED). Each Director is appointed on the strength of his/her calibre, experience and stature. As a team, the Board brings together a wide range of knowledge and experience in relevant fields such as business management, property investment, commercial, accounting and finance, economics and risk management, which is vital to effectively lead the Manager and IGB REIT. The Manager has also appointed a team of experienced and well-qualified personnel (Executive Team or Officers) to handle its day-to-day operations. Executive Team comprises Chief Executive Officer (CEO), Joint Chief Operating Officer (Mid Valley Megamall) (MVM), Joint Chief Operating Officer and Head of Operations/Leasing (The Gardens Mall) (TGM), Chief Financial Officer (CFO), Head of Investment, Head of Strategy & Risk, Head of Operations/Leasing (MVM), Head of Marketing (MVM), Head of Marketing (TGM) and Head of Compliance/Company Secretary (HOC/CS). In this Statement, any reference to 'Executive Management' shall include a reference to MD, EDs and Executive Team. Biographical details of Directors and Executive Team are set out in this Annual Report under the respective headings Profile of Directors and Profile of Executive Team.

The Board is committed to effectively representing and promoting IGB REIT, and thereby adding long-term value to UHs. The Board is accountable to UHs for the business conduct, performance, operations and overall governance of IGB REIT, in each case including the protection of UH interests, developing strategic direction, establishing goals for Executive Management and monitoring the achievement of these goals and developing an appropriate risk management framework. In discharging their roles and responsibilities, all Directors are expected to act and have acted in the best interests of the Manager and IGB REIT.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

The Board has a Charter that sets out the mandate, responsibilities and procedures of the Board and Board Committees (BCs), including the matters reserved for the Board's decision. The key responsibilities of the Board include:

- guiding the strategic business directions of the Manager and IGB REIT;
- overseeing and evaluating the conduct of businesses of the Manager and IGB REIT;
- reviewing and approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- overseeing, reviewing and monitoring systems of risk management, internal controls and ethical and legal compliance, which includes reviewing procedures to identify the main risks associated with the businesses of the Manager and IGB REIT (including the management of material exposure to environmental, economic and social sustainability risks) and the implementation of appropriate systems to manage those risks;
- ensuring measures relating to CG, financial regulations and other required policies are in place and enforced; and
- determine and approving income distributions.

There are 4 standing BCs which the Board has delegated its authority to assist in reviewing and monitoring the above functions. These BCs are Audit Committee (AC), Nomination Committee (NC), Remuneration Committee (RC) and Risk Management and Sustainability Committee (RMSC). While these BCs have the authority to examine matters within their mandates, the BCs report to the Board with their decisions and/or recommendations as the ultimate responsibility for final decision on all matters lies with the entire Board. The Board may also establish such other committees as it deems appropriate and delegate to such committees such authority permitted by applicable law and the Constitution of the Manager as the Board sees fit.

Practice 1.2

A Chairman of the board who is responsible for instilling good CG practices, leadership and effectiveness of the board is appointed.

TSL, the Board Chairman, was independent of the Manager and IGB REIT at the time of his appointment and remains so. Board Chairman also chairs NC and RC. Board Chairman leads the Board and ensures its effectiveness by, among other things, steering effective, productive and comprehensive discussions among members of the Board and Executive Team on strategic, business and other key issues pertinent to the business and operations of the Manager and IGB REIT. With the full support of the Board and Executive Team, Board Chairman spearheads the Manager's drive to promote, attain and maintain high standards of CG and transparency.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

The positions of Board Chairman, MD and CEO are held by 3 different individuals who are not related to each other to ensure appropriate balance of power and authority to facilitate effective oversight and clear segregation of duties.

Board Chairman is primarily responsible for ensuring the Board's effectiveness and conduct. MD, as a representative of the Board, provides stewardship of the business directions and the strategy implementation of IGB REIT in accordance with strategy, policies and plans approved by the Board. CEO focuses on the business and daily management of IGB REIT, as well as provides close oversight, guidance, advice and leadership to Executive Team. The separation of roles of Board Chairman, MD and CEO and the clarity of roles promote greater accountability from Executive Team and allow the Board to exercise its independence in its oversight of and deliberations with Executive Team. The financial authority of the Board, MD and CEO is explicitly provided in the Manager's authority matrix – approval limits for a range of transactions, including but not limited to investments, asset enhancement initiatives, operating and capital expenditures. Approval sub-limits are also provided at Executive Team-level to facilitate operational efficiency.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of CG best practices.

The Board is supported by HOC/CS, Tina Chan, a Fellow of the Institute of Chartered Secretaries and Administrators. HOC/CS has overall responsibility for the corporate secretarial function and is directly accountable to the Board on all matters to do with the proper functioning of the Board. This includes supervising, monitoring and advising on governance matters and compliance by the Manager and IGB REIT with all legislation, rules and guidelines and disclosure requirements of various regulatory bodies, coordinating Board business and providing a point of reference for ensuring good information flow within the Board and its BCs, and between NEDs and Executive Management, and performing such other duties of HOC/CS, as required under laws and regulations or as specified in the REIT Guidelines, Capital Markets and Services Act 2007 (CMSA) and Bursa Securities' Main Market Listing Requirements (MMLR), or as required by Board Chairman or Directors (or any of them), as the case may be. In order to play an effective advisory role to the Board, HOC/CS remains informed of the latest regulatory changes, evolving industry developments and best practices in CG through continuous training. The appointment and removal of HOC/CS must be approved by the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Directors are expected to prepare for, attend, and contribute meaningfully in all Board and applicable BC meetings in order to discharge their obligations. Board and BC meeting dates for the ensuing financial year are scheduled in advance before the end of the current financial year so that the Directors are able to plan ahead and schedule these dates into their respective calendars. When exigencies prevent a Director from attending a Board or BC meeting in person, such Director can participate by audio or video conference.

To ensure that Directors are well placed to discharge their duties effectively, they are provided with meeting materials in advance of the Board and BC meetings which contain sufficient information to enable informed discussion of all agenda items. Meeting materials, both digital and hard copies, are generally provided to Directors at least 5 business days (unless in unavoidable circumstances) prior to the date set for meetings to enable Directors to review the information and to obtain such details and explanations where necessary. Meeting materials that are deemed to be price-sensitive or highly confidential may not be available in advance of the meeting.

The Board meets 4 times a year at approximately quarterly intervals. Special meetings are held where any direction or decision is required expeditiously from the Board between the scheduled meetings. For matters which require the Board's decision outside such meetings, board papers along with resolutions in writing will be circulated through HOC/CS for the Board's consideration, with discussions and clarifications taking place between members of the Board and Executive Team, where required, before approval is granted. In addition, from time to time, the Board participates (either directly or through representatives) in due diligence committees in relation to strategic decisions, capital and fund-raising activities.

At each scheduled Board meeting, the financial performance and business reviews are discussed, including IGB REIT's quarterly financial results and operating performance against the annual budget and business plan approved by the Board for that year. Periodic updates on IGB REIT's risk profile as well as changes to regulatory requirements are also presented and discussed at Board meetings. The Board is also informed of decisions and salient issues by the respective chairmen of BCs. Consistent with their fiduciary duties, Directors are expected to maintain confidentiality of the deliberations of the Board. All proceedings of Board meetings are duly recorded in the minutes of each meeting and circulated promptly to every Board member for their comments prior to confirmation of the minutes. The Board met 4 times during FY2019 and the individual attendance record is disclosed in [Appendix 1](#).

In discharging their duties, Directors have direct access to Executive Team to seek explanations and information and have complete and unrestricted access to information pertaining to the businesses and affairs of the Manager and IGB REIT. Directors, whether as a group or individually, may seek advice from third party experts on matters deliberated by the Board as and when required, and the cost of such advice shall be borne by the Manager.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies –

- ***the respective roles and responsibilities of the board, board committees, individual directors and management; and***
- ***issues and decisions reserved for the board.***

The Board's functions are governed and regulated by its Charter, Constitution, REIT Guidelines, CMSA, MMLR and various applicable legislation. The Charter sets out the respective authority, functions, responsibilities and processes of the Board, BCs, Executive Team and those matters expressly reserved for the Board, and those delegated to BCs and Executive Team. The Charter is reviewed on a regular basis to enhance its processes and procedures and ensure alignment with new requirements and regulations. The Charter was last reviewed on 22 January 2020.

As described above, the Board is responsible for the governance of the Manager and IGB REIT as well as the overall strategy and business direction of the Manager and IGB REIT. The Board fulfils its mandate at regularly scheduled meetings and as warranted by particular circumstances.

BC members are chosen for the skills and experience they can contribute to the respective BCs. Each BC is composed of members of the Board save for RMSC, of which Officers are members and is led by CEO. The objective, remit and powers of each BC are established in the Charter. Topics of discussion and frequency of meetings will vary depending on each BC's terms of reference (ToR) and the portfolio's complexity. BC meeting minutes are included as part of the Directors' meeting materials to keep Directors updated on each BC's activities. The role, function, performance and membership of each BC is reviewed on an annual basis as part of the Board's performance-assessment process. The board evaluation performed in FY2019 showed that all BCs had effectively discharged their function. BC attendance records are disclosed in [Appendix 1](#).

Whilst the Board oversees the strategic plan and direction of the Manager and IGB REIT, MD has full executive responsibilities over the business directions and the strategy implementation of the Manager and IGB REIT. CEO leads Executive Team in making and implementing day-to-day decisions on business operations and management of the Manager and IGB REIT and managing resources and risks in pursuing the investment objectives of IGB REIT, in accordance with the Board approved policies and delegations of authority.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

Practice 3.1

The board establishes a Code of Conduct and Ethics (CCE) for the company, and together with management implements its policies and procedures, which include managing conflicts of interest (COI), preventing the abuse of power, corruption, insider trading and money laundering.

The CCE is published on the company's website.

(a) Directors' Code of Business Conduct and Ethics (Code)

The Manager has in place a Code. The objective of the Code is to ensure that Directors, other stakeholders and the broader community can be confident that the Manager and IGB REIT conduct their affairs honestly and in accordance with ethical values and practices. The Board is guided by the Code in discharging its oversight role effectively. The Code requires all Directors to observe high ethical business standards, honesty and integrity and to apply these values to all aspects of the business and professional practice of the Manager and act in good faith in the best interests of the Manager and IGB REIT.

The Manager is committed to conduct IGB REIT's business and operations premised on the concepts of transparency, integrity and accountability, in compliance with the applicable laws and regulations while adopting the highest standards of professionalism, honesty, integrity and ethics. In addition to the Code, the Manager is in the midst of putting in place an anti bribery and corruption policy (ABC) policy to encourage a culture of integrity and transparency in all of IGB REIT's activities. This policy which adheres to the MMLR and the Guidelines on Adequate Procedures (GAP) issued pursuant to section 17A(5) of the Malaysian Anti-Corruption Commission (Amendment) Act 2018, generally set out the responsibilities of the Manager, and all individuals who work for the Manager, in observing and upholding IGB REIT's position on bribery and corruption and provides key ABC principles that apply to all interactions with IGB REIT's customers, business partners, and other third parties in both the public and private sector, as well as guidelines for the prevention, management, and remediation of bribery and corruption related risks. This policy, subject to the Board's approval, shall be implemented before the deadline of 1 June 2020.

(b) COI

Under the Deed, the Manager, the Trustee and any delegate of either of them shall avoid COI arising or, if conflicts arise, shall ensure that IGB REIT is not disadvantaged by the transaction concerned. The Manager must not make improper use of its position in managing IGB REIT to gain, directly or indirectly, an advantage for itself or for any other person or to cause detriment to the interest of UHs. Save as to resolution relating to the removal of the Manager, the Manager and its associates are prohibited from voting their units at, or being part of the quorum for, any meeting of UHs convened to approve any matter in which the Manager and/or its associates have an interest in the outcome of the transaction.

When acting as Directors of the responsible entity of IGB REIT, Directors must act in the best interest of UHs, and if there is a conflict between the interest of UHs and the interest of the Manager, Directors must give priority to the interest of UHs. The Charter provides Directors with guidelines for complying with their obligations to take all reasonable steps to avoid actual, potential or apparent COI. HOC/CS solicits information from Directors every quarter in order to monitor potential COI. Directors are expected to be meticulous in their disclosure of any material personal or family contract or relationship. Directors must also strictly adhere to constraints on their participation and voting in relation to matters in which they may have an interest, in accordance with the Deed and REIT Guidelines. To maintain integrity in decision-making each Director must advise the Board of any potential COI. If a COI exists, the Director concerned will have no involvement in the decision-making process relating to the matter.

(c) Related Party Transactions (RPT)

The Manager has established controls and reporting measures for handling RPT involving, amongst others, the Trustee, the Manager, Directors, CEO, major UHs and persons connected with them. These ensure that such transactions are conducted at arm's length and on normal commercial terms which are generally no more favourable than those extended to unrelated third parties, and in accordance with all applicable requirements of the REIT Guidelines and MMLR. Executive Management has been kept informed of the disclosure procedures for RPT, who would ensure that transactions with related parties would be entered into after taking into account the pricing and contract rates, terms and conditions, level of service and expertise required, and the quality of products and services provided, when compared to prevailing market prices and rates, industry norms and standards, as well as general practices, adopted by service providers of similar capacities and capabilities generally available in the open market.

The Board, through AC, reviews all recurrent RPT (RRPT) in addition to other new RPT on a quarterly basis to ensure compliance with internal control procedures and with the provisions of REIT Guidelines and MMLR. If a member of the Board and/or AC has an interest in a transaction or arrangement, the Director concerned is to abstain from participating in the review and recommendation process in relation to that transaction or arrangement. The Manager maintains a register to record all RPT/RRPT, which are entered into by IGB REIT.

At its Seventh Annual General Meeting (7th AGM) in 2019, IGB REIT obtained a general mandate under paragraph 10.09(2) of the MMLR (RRPT Mandate) for IGB REIT to enter into RRPT with the Manager's parent company, IGB and its subsidiaries (IGB Group). Based on the actual amount transacted from the date of the 7th AGM up to the date of this Statement, the actual value of RRPT has not exceeded the estimate value by 10% under the mandate. The details of RRPT entered into by IGB REIT with IGB Group during FY2019 pursuant to the mandate are disclosed in [Appendix 2](#).

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

IGB REIT is seeking UH approval at the Eighth AGM (8th AGM) to be held on 22 April 2020 to renew the RRPT Mandate. In view of the diversity of IGB Group's business, it is envisaged that in the normal course of business of IGB REIT, transactions in respect of goods and/or services between IGB REIT and IGB Group will occur with some degree of frequency from time to time and may arise at any time. Obtaining the mandate on an annual basis will eliminate the need to announce and convene separate general meetings on each occasion to seek UH approval for the entry by IGB REIT into such transactions. This will reduce the associated expenses and improve administrative efficiency. Directors who have interests in the RRPT Mandate have abstained from all Board deliberations and voting and would ensure that they and any person connected with them would also abstain from voting on the RRPT Mandate at the 8th AGM. The details of the RRPT Mandate are set out in the [Circular to Unitholders – RRPT Mandate](#) (Circular).

Subsequent to FY2019, AC had at its meeting on 22 January 2020, reviewed the Circular, and having considered, amongst others, the nature of RRPT to be made were intended to meet the ordinary and usual course of business needs of IGB REIT and likely to occur with some degree of frequency and such transaction to be undertaken at arm's length and on normal commercial terms consistent with IGB REIT's usual practices and policies, as well as the procedures and processes established to regulate RRPT, was satisfied that adequate processes and controls were in place for monitoring, tracking and identifying RRPT in a timely and orderly manner.

(d) Market Sensitive Information

Directors and Officers who are in possession of, aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are significant transactions or any unpublished inside information must refrain from dealing in IGB REIT units as soon as they possess, become aware of or privy to such information until proper disclosure of the information in accordance with the MMLR.

As a general principle, dealings in IGB REIT units by Directors and Officers should not take place one month before the announcement of the quarterly financial results, and ending once the announcement of the relevant results (closed trading periods) is made to Bursa Securities. Reminders are sent quarterly to Directors and Officers to remind them of the closed trading periods. Directors and Officers are also expected to observe insider trading laws at all times even when dealing with IGB REIT units within the permitted trading periods (open trading periods). Accordingly, notwithstanding the open trading periods, any of the Directors or Officers who is aware of or privy to any material unpublished price-sensitive information which is the subject of an impending IGB REIT announcement or potential media release should not trade in IGB REIT units until the information is appropriately disseminated to the market.

Each Director or Officer is required to give written notice to HOC/CS of his/her acquisition of IGB REIT units or of changes in the number of units which he/she holds or in which he/she has an interest, within 3 market days after such acquisition or changes in interest. All dealings in IGB REIT units by Directors and Officers will be announced via the regulatory information service (BursaLINK), with the announcement posted on IGB REIT's website. The interests in IGB REIT units of Directors and CEO are shown in [Unitholding Statistics](#) in this Annual Report.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

The Manager is a subsidiary of IGB and therefore subscribes to IGB Group Whistleblowing Policies and Procedures (GWPP). GWPP covered all types of whistleblowers, internal (employees, contract workers, etc.) and external (customers, vendors, suppliers, members of the public, etc.) persons from whom disclosure may be received. All whistleblower reports are addressed to the Whistleblowing Committee comprising the Heads of Group Internal Audit (GIA), Group Human Capital and Group Legal of IGB who also addressed complaints received relating to IGB REIT. A whistleblower is assured confidentiality of identity, to the extent reasonably practicable. This includes protecting the whistleblower from detrimental action that may result from the disclosure of improper conduct, provided that the disclosure is made in good faith. GWPP can be found on IGB REIT's website.

Practice 4.1

At least half of the board comprises independent directors (IDs). For Large Companies, the board comprises a majority IDs.

The Board considers that a Director is independent if he/she is independent in character and judgement, and free from associations or circumstances that may impair the exercise of his/her independent judgement. INED must immediately disclose to the Board any change in his/her circumstances that may affect his/her status as ID.

The Board comprises 7 Directors of whom 3 are INEDs or 43% of Directors being independent. By virtue of this composition, the Manager is in compliance with the REIT Guidelines' requirement of one third or 33.3%.

The independence of INEDs is assessed annually by NC/Board. INEDs are required to complete the independence checklist, declaring their independence and disclosing any relationships or appointments which would impair their independence to the Board.

In its review for FY2019, NC has determined that the INEDs remained objective and independent, evidenced by their ability to demonstrate the values and principles associated with independence during Board discussions such as impartiality, objectivity and consideration of the interests of the Manager and IGB REIT, and they had and would continue to provide their input to the Board in discharging their responsibilities in an independent manner with integrity and competency.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

The Board (without participation by related INEDs) had ascertained that TSL, HHD and LCC demonstrated complete independence in character and judgement both as Board members and their designated roles in the respective BCs, and they have exercised impartial and independent judgement while protecting the interests of IGB REIT and UHs.

NC had also considered the recommendation in MCCG to have majority INEDs. NC was of the view that an effective Board should constitute with the right core competencies and diversity of experience, so that the collective wisdom of the Board could give guidance and provide insights as well as strategic thinking to the management team. The INEDs are independent from the Executive Management and IGB REIT's controlling UHs and/or any of its affiliates, and not involved in the day-to-day management of the Manager, nor do they participate in any of its business dealings, thereby providing effective check and balance mechanism in the overall management of the Manager.

The Board collectively concurred that there was no disproportionate imbalance of power and authority on the Board between non-independent and independent Directors, and this would serve as an important control mechanism to ensure that the Board functions objectively, independently and effectively. The INEDs have performed their oversight role effectively and understood their responsibilities to stakeholders. Nonetheless, the Board through NC, would continue to review its composition periodically, taking into account the need of progressive renewal of the Board to ensure that the Board has the appropriate balance and diversity to maximise its effectiveness.

Practice 4.2

The tenure of an ID does not exceed a cumulative term limit of 9 years. Upon completion of 9 years, an ID may continue to serve on the board as a non-ID.

If the board intends to retain an ID beyond 9 years, it should justify and seek annual SH approval. If the board continues to retain the ID after the 12th year, the board should seek annual SH approval through a 2-tier voting process.

As IGB REIT is an externally managed trust, UHs are not legally able to vote for Directors of the Manager. Directors are not subject to periodic retirement by rotation under the Manager's Constitution.

Practice 4.3 (Step Up)

The board has a policy which limits the tenure of its IDs to 9 years.

Whilst the MCCG recommends to set a tenure limit for INEDs, the Board does not consider it is necessary or appropriate to limit its INEDs to 9 years considering there are significant advantages to be gained from long-serving INEDs who already possess tremendous insight and knowledge of the business affairs of the Manager and IGB REIT, and the length of their service on the Board does not in any way interfere with their exercise of independent judgement and ability to act in the best interests of the Manager and IGB REIT. Nonetheless, the Board through NC will conduct a yearly assessment on the independence of INEDs.

The 3 INEDs were appointed in April 2012. Each of the 3 INEDs has provided an annual self-declaration of his independence to the Board.

Practice 4.4

Appointment of board and senior management (SM) are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

The Manager recruits and promotes individuals based on merit, performance and capability. Employing the right people for the right job is critical to the Manager being able to meet the business objectives of the Manager and IGB REIT. The selection process for all appointments (Board-level and Executive Team-level) will have regard for the need to maintain an appropriate mix of skills, experience, expertise and diversity and therefore, ensuring that individuals appointed to the Board and Executive Team have the appropriate fitness and propriety to discharge their prudential responsibilities on appointment and during the course of their appointment.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

The Board recognises the importance of encouraging and developing female talent at all levels. However, the Board does not feel that it would be appropriate to set gender diversity target as all appointments must be made on merit, in the context of the skills, knowledge and experience that are needed for the Board to be effective, and the appropriate particular roles in Executive Team.

As at 22 January 2020, the proportion of women employed by the Manager was, Board @ 29%, and Executive Team @ 57%.

The Manager will endeavour to improve the number of women Directors, however consideration shall be based on all elements of diversification rather than gender alone.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major SHs. The board utilises independent sources to identify suitable qualified candidates

The Board recognises that Board renewal is a continuous process and one that is essential for ensuring the Board remains relevant in IGB REIT's business environment. As part of the search and nomination process for new Directors, NC will identify the relevant or desired skills and experience which candidates should possess and may engage independent search companies if necessary, as well as leverage on business and other contacts. Nominations, which may be made by the Board members or the Manager's parent company, are openly discussed and objectively evaluated by NC before any appointment is made. The key criteria for director selection and nomination by the Board include integrity, particular expertise (sector and functional) and the degree to which they complement the skillset of the existing Board members and whether or not, the candidate can commit sufficient time given their other roles and activities, and in the case of INEDs, actual and perceived independence from the controlling UH and Executive Management.

Practice 4.7

NC is chaired by an ID or senior ID.

In accordance with its ToR, NC must have at least 3 NEDs, be comprised of a majority of INEDs, and be chaired by an INED. NC comprises 3 INEDs and 1 Non-INED. NC is chaired by TSL who is also Board Chairman.

The role of NC is to make recommendations to the Board on all board appointments, having regard to the composition and progressive renewal of the Board; the development of a process for evaluating the performance of the Board, BCs and individual Directors including the independent status of NEDs; Board succession planning generally; and continuing professional development programmes for Directors. Chair of NC continues to lead NC to assist the Board in fulfilling their responsibilities on the yearly board performance-assessment exercise as noted below.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its BCs and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Directors are aware that they need to continually monitor and improve performance and recognise this can be achieved through regular board performance-assessment, which provides a valuable feedback mechanism for improving board effectiveness, thus ensuring the Manager is under the oversight and guidance of an accountable and competent Board.

The Board has included in its Charter a requirement to conduct annual board evaluation to assess the effectiveness of the Board as a whole, each BC and individual Directors, as well as the required mix of skills, experience and core competencies within the Board to ensure Directors continuously contribute towards the achievements of corporate objectives and fulfil their fiduciary responsibilities.

The internal review process involves having Directors complete evaluation forms. Each Director is required to objectively assess his/her personal performance and collectively, the performance of the Board as a whole and its BCs. Directors can make comments or raise any issues they have in relation to the performance. The evaluation of the Board's performance as a whole deal with matters on the Board composition and processes, Board decision-making and meeting processes and Board responsibilities in relation to strategies and direction, accountability and oversight, risk management and internal controls and standards of conduct. BCs' evaluation deals with the efficiency and effectiveness of each BC in assisting the Board. Individual Directors' assessment cover topics which include, amongst others, the Director's attendance, preparedness, candour, participation and contribution. The independence of each INED is also considered as part of this process. The results are compiled by HOC/CS and discussed at NC meeting and shared with the Board on the overall results of the evaluation conducted and improvements recommended where appropriate.

The last performance evaluation was carried out on 22 January 2020 in respect of FY2019. In its assessment, NC took into consideration the individual Director's contribution, with reference to the results of the performance assessment of the individual Director, and the intrinsic independent values demonstrated by INEDs, and concluded that the Board as a whole and its BCs have performed well with the individual's creditability to add value to the Board and BC deliberations and exercise objective judgement in decision-making processes, and each Director has given sufficient time and attention to the affairs of the Manager and IGB REIT notwithstanding he/she has multiple listed company board representations and/or other principal commitments. The performance assessment did not raise any governance issues that needed to be addressed.

NC had also reviewed the Board's size, composition and balance between NEDs and EDs appropriate to the efficient governance and management of the Manager and IGB REIT. Considerations that factor into the assessment process included, amongst others, the nature, scale and complexity of the operations of the Manager and IGB REIT, the Board's skillset and the number of Directors needed to discharge the duties of the Board and BCs. NC was satisfied that the size of the Board was not so large as to be unwieldy and the Board collectively have sound and sufficient knowledge and expertise to enable effective governance and oversight.

The Board had considered NC's views, and concurred that each Director has continued to perform effectively and demonstrated commitments to his/her role, including commitment of time to the Board, and where relevant BC responsibilities; the Board has an appropriate mix of skills, personal attributes and experience that would allow the Directors individually, and the Board collectively, to discharge their duties effectively and efficiently; INEDs have the experience and business acumen necessary to carry sufficient weight in the Board's decisions and act in the best interests of IGB REIT and UHs, thereby enabling balanced and well-considered decisions to be made; and the size of the Board was appropriate for the scope and nature of the operations of the Manager and IGB REIT with a balanced exchange of views, robust deliberations and debates among the members, thereby facilitating optimal decision-making.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

The Board was also satisfied that this internally facilitated process works well for its size and composition, and as such, the use of an independent consultant was not necessary at this stage.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and SM, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

The Manager recognises that its people are one of its key assets. The professional growth and development of its people are central to achieving the Manager's mission and strategy. With this in mind, the Manager supports levels of remuneration and compensation necessary to attract, motivate, reward and retain quality personnel required to effectively lead and manage the operations and growth of the Manager, at a competitive cost. The Manager strives to ensure that remuneration packages reflect the relevant duties and responsibilities, are fair and equitable, incorporate rewards clearly and measurably linked to performance both on an individual and on a corporate basis and reflective of market conditions for talent.

The Manager has established and maintained a formal and transparent Remuneration Policies and Practices (RPP) for Directors and Executive Management. RPP sets out an objective remuneration structure for Directors and Executive Management and enables periodic review of the remuneration packages by RC. In its deliberation, RC will take into consideration industry practices and benchmarks against relevant REIT players to ensure that the remuneration and employment conditions are competitive.

Remuneration of NEDs is based on each Director's level of responsibilities on the Board and its BCs, and is benchmarked against market practices. Board Chairman and AC Chairman are paid a higher fee compared with members of the Board and of such BC in view of the additional responsibility carried by that office. NEDs are paid annual fees and sitting fees for attending meetings of the Board and BCs. MD, EDs and CEO do not receive any fee nor meeting allowance as they are salaried executives of the Manager. Directors are entitled to be reimbursed by the Manager for reasonable travelling, accommodation and other expenses that they may incur whilst travelling to or from meetings of the Board or BCs. None of the NEDs has a service contract with the Manager.

In establishing the remuneration structure of Executive Management, the Manager adopts a remuneration system that is responsive to the market elements and performance of both the Manager and IGB REIT as well as the individual. The remuneration of Executive Management comprises base salary, performance bonus and other benefits based on their respective service contracts with the Manager. Base salaries are reviewed annually taking into account a variety of factors, such as general economic and market conditions; particular circumstances such as changes in the scope and responsibility of the role; salary levels for comparable roles at relevant comparators; and individual performance. The performance bonus is linked to and determined based on achievement of the Manager's key qualitative financial, operational and strategic measures in the year.

Directors and Officers are indemnified under a Directors' and Officers' Liability Insurance against any liability incurred by them in the discharge of their duties while holding office as Directors and Officers of the Manager. Directors and Officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

Practice 6.2

The board has a RC to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of the board and SM.

RC has written ToR which deals with its authority and duties and these terms are disclosed on the company's website

In accordance with its ToR, RC must have at least 3 NEDs, be comprised of a majority of INEDs, and be chaired by an INED. RC comprises 3 INEDs and 1 Non-INED and is chaired by TSL who is also the Board Chairman.

RC has oversight of the RPP in the context that these policies and practices fairly and responsibly reward individuals having regard to performance. No Director or Officer is involved in the deliberation and decision in respect of his/her own individual fees/remuneration.

Directors and Executive Management are not paid by IGB REIT. They are remunerated by the Manager. The remuneration levels for Directors and Executive Management are reviewed and approved annually by RC and the Board respectively. To ensure the competitiveness of the Manager's remuneration levels, the levels are benchmarked against its peer group and REIT industry generally. The last performance evaluation for Directors and Executive Management was carried out on 25 November 2019. RC had considered the quantum of NED fees (in respect of FY2019) and meeting allowances (in respect of year 2020), and had recommended to the Board the annual fees for Board Chairman, AC Chairman and NED be revised upwards by RM20,000 each to RM140,000, RM110,000 and RM100,000 respectively for FY2019, while the meeting allowance to maintain at RM3,000 for the chair of meeting, and RM2,500 for the members. This recommendation had been endorsed by the Board and would be tabled at the Manager's AGM for approval.

In determining the actual quantum of the annual adjustment to base salaries and the year-end performance bonuses for Executive Management, RC had, in arriving at its decision, considered the individual performances, responsibilities, expertise and complexity of the activities of the Manager and IGB REIT, as well as comparative information obtained from independent remuneration sources within the REIT industry, and had applied its judgement in determining a balanced fair outcome of merit increases in 2020 and year-end performance bonuses for Executive Management, which had been endorsed by the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits-in-kind (BIK) and other emoluments.

Details of each individual Director's remuneration paid and payable in respect of FY2019 are set out in the table below:

Name of Directors ¹	Salary and Bonus ² RM	Fee RM	Meeting Allowance RM	Total RM
TSL	-	140,000	31,000	171,000
DSRT	4,742,012	-	-	4,742,012
HHD	-	110,000	29,500	139,500
LCC	-	100,000	27,500	127,500
DYCI	592,704	-	-	592,704
ETHN	592,704	-	-	592,704
TLC	-	100,000	17,500	117,500
Total	5,927,420	450,000	105,500	6,482,920

Notes:

¹ None of the Directors receive BIK.

² Salary and Bonus including EPF contributions

Practice 7.2

The board discloses on a named basis the top 5 SM's remuneration component including salary, bonus, BIK and other emoluments in bands of RM50,000.

The Manager is of the view that given the confidentiality and sensitivity of staff remuneration matters, competition for talent in the REIT management industry and the importance of ensuring stability and continuity of business operations of IGB REIT with a competent and experienced management team in place, it is the best interests of the Manager not to disclose the remuneration of its top 5 Officers on a named basis, but in bands of RM50,000, and believes that such disclosure is sufficient for providing transparency to UHs without prejudicing the interests of UHs.

Remuneration paid to the top 5 Officers (excluding MD and EDs) in bands of RM50,000 for FY2019 is as follows:

Remuneration Bands	No. of Officer	Salary and Bonus ^(a)	BIK ^(b)	Total
Between RM100,000 – RM150,000	2	100.00%	-	100.00%
Between RM450,000 – RM500,000	1	100.00%	-	100.00%
Between RM550,000 – RM600,000	1	100.00%	-	100.00%
Between RM900,000 – RM950,000	1	95.06%	4.94%	100.00%

The annual aggregate remuneration paid to the top 5 Officers of the Manager for FY2019 was RM2,255,330.

Notes:

^(a) Salary and Bonus including EPF contributions and/or fixed allowances.

^(b) BIK includes driver, club membership, mobile communication device and expenses, parking and accommodation.

Practice 7.3 (Step Up)

Companies are encouraged to fully disclose the detailed remuneration of each member of SM on a named basis.

The Manager has opted not to disclose the remuneration of its top 5 Officers on named basis as it is important that the Manager continues to retain its team of competent and committed Executive Team to drive IGB REIT's businesses to greater growth, efficiency and profitability.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Practice 8.1

The Chairman of AC is not the Chairman of the board.

In accordance with its ToR, AC must have at least 3 members and be comprised of only INEDs. AC comprises 3 INEDs, and is chaired by HHD, who is a fellow member of the Malaysian Institute of Certified Public Accountants. Board Chairman is a member of AC.

Practice 8.2

AC has a policy that requires a former key audit partner to observe a cooling-off period of at least 2 years before being appointed as AC member.

Under AC's ToR, where a firm has been appointed as the external auditor (EA) of IGB REIT, any partner of the firm must not serve or be appointed as AC member until at least 2 years after he/she ceases to be a partner of that firm.

None of AC members are former partners of the incumbent EA, PricewaterhouseCoopers PLT (PwC), who has been EA of IGB REIT since listing. PwC has a policy of rotating audit partner at least every 7 years and providing an annual declaration of independence.

Practice 8.3

AC has policies and procedures to assess the suitability, objectivity and independence of EA.

AC monitors and reviews the effectiveness of the external audit process for the financial statements of IGB REIT and undertakes a detailed review of the audit plan and audit results report. Any concern with the effectiveness of the external audit process would be reported to the Board. No concerns were raised in respect of IGB REIT Financial Statements FY2019.

AC is tasked with the annual assessment process on the performance and quality of EA and their independence, objective and professionalism. Following this year's evaluation using a questionnaire-based internal review as well as input from CFO who has constant contact with PwC team throughout the year, AC was satisfied with PwC's technical competency in terms of their skills, execution of audit plan, reporting and overall performance. PwC has provided a confirmation of their independence to AC that they were and had been independent throughout the conduct of the audit engagement in accordance with the provisions of By-Laws on Professional Independence of the Malaysian Institute of Accountants and their firm's requirements for the audit of IGB REIT Financial Statements FY2019. The statement of EA's responsibilities on IGB REIT Financial Statements FY2019 is set out in this Annual Report under the heading Independent Auditors' Report.

AC has reviewed the non-audit services provided by PwC during FY2019, and was satisfied that given the nature and extent of non-audit services provided and the fees for such services, neither the independence nor the objectivity of PwC was put at risk. In this regard, for FY2019, IGB REIT paid RM141,550 to PwC, of which RM123,900 for audit services and RM17,550 for advisory services.

Practice 8.4 (Step Up)

AC should comprise solely of IDs.

AC comprises solely of INEDs, and as such there is a strong and independent element to provide effective oversight for it to function effectively and exercise objective judgements independently.

Practice 8.5

Collectively, AC should possess a wide range of necessary skills to discharge its duties. All AC members should be financially literate and are able to understand matters under the purview of AC including the financial reporting process.

All AC members should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

AC is composed of HHD, TSL and LCC, all of whom have accounting and related financial management expertise or experience to discharge their responsibilities as AC members.

AC is responsible for the oversight and monitoring of IGB REIT's financial reporting and accounting policies, the internal controls, including financial, operational, compliance and risk management controls and procedures, the procedures established to regulate RPT/RRPT, including ensuring compliance with the provisions of REIT Guidelines and MMLR, the internal audit's (IA) function, including its resources, audit plans and the scope and effectiveness of IA process and the independence and objectivity of EA on an annual basis.

AC has full access to and the cooperation of Executive Team and reasonable resources to enable it discharges its function properly. AC generally holds a scheduled meeting at least once every quarter and on such other occasions that necessitate their involvement.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

During FY2019, AC reviewed the audit plans from the external and internal auditors to ensure that the scope of the plans have covered sufficiently the audit of the internal controls of IGB REIT. AC has met EA without presence of Executive Management twice in FY2019. In the review of IGB REIT Financial Statements FY2019, AC discussed with CFO the accounting principles that were applied and considered the clarity of key disclosures in the financial statements. In addition, AC reviewed the key audit matters as reported by EA for FY2019. Tasks performed by AC during FY2019 are described in greater details under the heading [Audit Committee Report](#) in this Annual Report.

AC takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with training conducted by professionals or external consultants. Updates on developments in accounting and governance standards are presented by EA at AC meetings. Details of the training programmes, seminars and conferences that AC members attended are set out in [Appendix I](#).

Practice 9.1

The board should establish an effective risk management and internal control framework.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

IGB REIT's Risk Management Policy and Framework and corresponding reports were based on the Committee of Sponsoring Organisations of the Treadway Commission's (COSO) Enterprise Risk Management (ERM) framework, which was released in 2004 and updated in 2017.

In July 2019, the Board approved the revised "IGB REIT Risk Management Policy and Framework" and it was renamed "IGB REIT Strategy and Risk Framework" (Framework). This revised Framework is based on COSO's ERM framework update 2017 - Integrating Strategy with Performance Framework.

This new Framework integrates the ERM with business strategies and processes, resulting in better information to support improved decision-making and leads to enhanced performance. This Framework enhances conversation of risk across the whole value cycle of an organisation. This new Framework has been communicated in meetings to all heads of functional units.

The Framework itself is a set of principles organised into 5 interrelated components:

1. **Governance and Culture:** Governance sets the organisation's tone, reinforcing the importance of, and establishing oversight responsibilities for ERM. Culture pertains to ethical values, desired behaviours, and understanding of risk in the entity.
2. **Strategy and Objective-Setting:** ERM, strategy, and objective-setting work together in the strategic-planning process. A risk appetite is established and aligned with strategy; business objectives put strategy into practice while serving as a basis for identifying, assessing, and responding to risk.
3. **Performance:** Risks that may impact the achievement of strategy and business objectives need to be identified and assessed. Risks are prioritised by severity in the context of risk appetite. The organisation then selects risk responses and takes a portfolio view of the amount of risk it has assumed. The results of this process are reported to key risk stakeholders.
4. **Review and Revision:** By reviewing entity performance, an organisation can consider how well the ERM components are functioning over time and in light of substantial changes, and what revisions are needed.
5. **Information, Communication, and Reporting:** ERM requires a continual process of obtaining and sharing necessary information, from both internal and external sources, which flows up, down, and across the organisation.

Each year, in consultation with AC, RMSC and IA, the Board assesses the adequacy and effectiveness of risk management and internal controls of IGB REIT. Based on the Framework established and maintained by IGB REIT, works performed by the internal and external auditors, and reviews performed by RMSC with assurance from MD and CFO, the Board with the concurrence of AC, was satisfied that IGB REIT's risk management and internal controls put in place during FY2019 were adequate and effective taking into account the nature, scale and complexity of IGB REIT's operations.

An overview of the state of internal control in IGB REIT, which includes the risk management and key internal control processes is described in greater details in this Annual Report under the heading [Statement on Risk Management and Internal Control](#) which has been reviewed by PwC.

Practice 9.3 (Step Up)

The board establishes a Risk Management Committee, which comprises a majority of IDs, to oversee the company's risk management framework and policies

RMSC assists the Board to oversee IGB REIT's overall strategy and risk framework with their expertise, experience and knowledge of the business. While not comprising of a majority of IDs, RMSC comprises Executive Team and is chaired by CEO, who all have detailed knowledge on the ongoing strategies and risks of the business.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

The IGB REIT culture pertaining to strategy and risks is one of ownership, whereby the functional units themselves take ownership of their strategies and risks. They identify and evaluate strategies and risks to ensure the implementation of strategic plans and mitigation actions are in place and aligned with the Framework. Functional units will monitor and measure performance of strategic plans, their mitigation actions before submitting strategy and risk reports every half year.

RMSC meets quarterly or more often if necessary, to appraise the adequacy and effectiveness of IGB REIT's risk management framework and policies.

IGB REIT's sustainability strategies are disclosed in this Annual Report under the heading Sustainability Statement.

Practice 10.1

AC should ensure that IA function is effective and able to function independently.

Practice 10.2

The board should disclose:

- **whether IA personnel are free from any relationships or COI, which could impair their objectivity and independence;**
- **the number of resources in IA department;**
- **name and qualification of the person responsible for IA; and**
- **whether IA function is carried out in accordance with a recognised framework.**

The Manager adopts the principles that a robust IA system is required to safeguard UH interests, IGB REIT's assets, and to manage risks.

The IA function of the Manager is outsourced to the GIA department (GIAD) of IGB. GIA is independent of the functions and activities that it audits and operates under an audit charter mandated by AC, which gives it unrestricted access to review all activities, as well as to all of IGB REIT's documents, records, properties and personnel, including access to AC. The head of GIAD, Christine Ong May Ee, who has a Bachelor of Accountancy (Hons.) (Singapore), Certified Internal Auditor (USA), Certified Risk Management Assurance (USA), Fellow Chartered Accountant (Australia), Fellow member of the Institute of Internal Auditors (IIA) (Malaysia) and Chartered Accountant (Malaysia), reports directly and functionally to AC and administratively to MD. To ensure that IA are effectively performed, GIAD recruits and employs suitably qualified staff with the requisite skills and experience, and such staff are also given relevant training and development opportunities to update their technical knowledge and auditing skills. As at 31 December 2019, GIA has 12 personnel in the team.

GIA adopts a risk-based audit methodology to develop its audit plans, and its activities are aligned to key risks of IGB REIT. Based on risk assessment performed, greater focus and appropriate review intervals are set for higher risk activities, and material internal controls, including compliance with the policies, procedures and regulatory responsibilities of the Manager and IGB REIT. GIA also performs investigations and ad-hoc reviews as and when the need arises, or when requested by Executive Management. In addition, GIA provides advisory services to RMSC on risk management, sustainability and business continuity matters, as well as the contact point for feedback@igbreit.com i.e. communication channel for lodging complaints and feedback from stakeholders.

GIA subscribes to, and is in conformance with, the International Standards for the Professional Practice of Internal Auditing (Standards) developed by the IIA Malaysia and has incorporated these Standards into its audit practices. Each quarter, GIA submits reports to AC for review and deliberation. AC reviews and deliberates on the control lapses highlighted by GIA along with audit recommendations as well as management's responses and action plans to rectify these lapses. All significant issues deliberated at AC of the Manager are also reported to AC of IGB, for information.

During FY2019, GIA conducted its audit reviews based on the IA plan approved by AC and issued multiple reports covering all levels of operations within the Manager and IGB REIT, and monitored the status of management action plans resulting from audit findings to ensure completion and reports progress each quarter to AC. The key activities reviewed in FY2019 included high-level reviews in the areas of CG, RPT and sustainability, operational audits on internal controls of IGB REIT operations, Finance operations, Security operations, Housekeeping operations, Leasing operations, media management, special assignments on Tricor-unit registry services, business continuity plan, corporate liability review vis-à-vis GAP analysis, progress reports for audits of Procurement, Carpark, Safety & Health and Leasing, tenant sales verification audits, as well as the documentation of business continuity manual. In relation to the risk management and fraud, GIA is responsible only for the facilitation and assists management by assessing the adequacy and effectiveness of the developed or revised systems and procedures. Details of IA function and activities are disclosed in this Annual Report under the heading Audit Committee Report.

In compliance with the Standards, an external quality assessment review (QAR) of GIA division is conducted at least once every 5 years by a qualified, independent reviewer. A QAR of GIA function was performed by IIA Malaysia in 2015. The review had concluded that GIA function was in conformance with the Standards. The next review would be due in year 2020.

For FY2019, AC is satisfied that IA function is independent, effective and adequately resourced.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

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

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

The Manager is committed to providing UHs with timely communication regarding matters that impact or have the potential to influence the investment performance of IGB REIT. The Manager understands IGB REIT's regulatory requirements for continuous disclosure and various other legal obligations as a consequence of its listing on Bursa Securities.

The Board strives to provide timely, open and accurate information of IGB REIT to all stakeholders, including UHs, regulators and the wider investment community. All announcements, reports, quarterly financial results and media statements are released to Bursa Securities and published on IGB REIT's website, providing users with easy access to the most up-to-date financial and corporate information. UHs are able to elect to receive communications from, and send communications to IGB REIT and its unit registry electronically. The 'Contact' page on IGB REIT's website provides the email address for contacting IGB REIT and the unit registry.

The Manager communicates with analysts and media representatives on a regular basis as well as conducts presentations to institutional investors to provide updates, strategies and developments about IGB REIT's state of affairs based on permissible disclosures. These meetings focus either on recently announced financial results, recent corporate activity or the longer term strategy of IGB REIT. Information that is price-sensitive or that may be regarded as undisclosed material information about IGB REIT is not disclosed in these sessions until after the prescribed announcement to Bursa Securities has been made.

Practice 11.2

Large Companies are encouraged to adopt integrated reporting based on a globally recognised framework.

An overview of IGB REIT's business and operations; discussion and analysis of the financial results and financial condition; review of operating activities; discussion on identified and anticipated or known risks; and forward-looking statements comprising trends and the inclusion of the business review is included in this Annual Report under the heading Management Discussion and Analysis.

The Board recognises the benefits of having an integrated report, which establish integrated thinking and reporting that is designed to support sustainable business and financial stability. This recommendation will be satisfied at the appropriate time in the future.

Practice 12.1

Notice for an AGM should be given to SHs at least 28 days prior to the meeting.

The annual report, which contains the AGM notice together with the related circular is issued to UHs at least a month before the scheduled date of such meeting to provide sufficient time to UHs to consider the resolutions that will be discussed and decided at the AGM.

AGM notice, which sets out the businesses to be transacted at the AGM with explanatory notes for each resolution proposed to enable UHs to make informed decisions in exercising their voting rights, is also published in a nationally circulated newspapers alongside an announcement on the BursaLINK.

Practice 12.2

All directors attend general meetings (GMs). The chair of AC, NC, RMC and other committees provide meaningful response to questions addressed to them.

AGM serves as a principal forum for dialogue and interaction between the Board and UHs. The Manager is in full support of UH participation at the AGM of IGB REIT to stay informed of the strategies and goals of IGB REIT. The standard proceedings adopted by IGB REIT at its AGM would involve a brief overview by CEO on IGB REIT's business and financial performance, before proceeding with the resolutions put to the meeting. UHs are accorded the opportunity to raise relevant questions on IGB REIT's financial performance and business operational related matters and to communicate their views at AGM.

The Board will ensure the presence of all Board members, particularly the chairperson of each BC to facilitate engagement with UHs and to address any relevant questions and concerns raised by UHs. EA will be available to answer UH questions on the conduct of the audit, and the preparation and content of the Independent Auditors' Report.

At GMs, each distinct issue is proposed as a separate resolution and put to vote by way of electronic polling. An independent scrutineer is appointed to validate the vote tabulation and procedures. The results of the votes cast for and against each resolution and the respective percentages are announced instantaneously at GMs, released to Bursa Securities and uploaded to IGB REIT's website. Minutes of GMs recording the substantive and relevant comments made and questions raised by UHs are available on IGB REIT's website.

Practice 12.3

Listed companies with a large number of SHs or which have meetings in remote locations should leverage technology to facilitate:

- **voting including voting in absentia; and**
- **remote SHs' participation at GMs**

The Deed does not allow a UH to vote in absentia at GMs but allows any UH to appoint representative or proxy to attend and vote on his/her behalf at the GMs.

IGB REIT's GMs are held during business hours at the Mid Valley City with accessible transportation links to encourage UHs' attendance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

Appendix 1

DIRECTORS' AND CEO'S ATTENDANCE AT THE MANAGER'S BOARD AND BC MEETINGS, AND AGM OF IGB REIT HELD DURING FY2019

	Board	AC	NC	RC	RMSC	AGM
Number of meetings held in FY2019	4	4	1	2	4	1
TSL, INED	4	4	1	2	N.A ^(b)	1
HHD, INED	4	4	1	2	N.A ^(b)	1
LCC, INED	4	4	1	2	N.A ^(b)	1
DSRT, MD	4	4 ^(a)	N.A ^(b)	2 ^(a)	N.A ^(b)	1
DYCI, ED	4	N.A ^(b)	N.A ^(b)	N.A ^(b)	4	0
ETHN, ED	3	N.A ^(b)	N.A ^(b)	N.A ^(b)	4	1
TLC, Non-INED	4	N.A ^(b)	1	2	N.A ^(b)	1
Antony Patrick Barragry, CEO	4 ^(a)	N.A ^(b)	N.A ^(b)	N.A ^(b)	4	1

Notes:

^(a) Attendance was by invitation.

^(b) N.A. means not applicable.

DIRECTORS' TRAINING AND DEVELOPMENT

The Board is committed to the continual enhancement of the capabilities of each Director and the performance of the Board generally. On an ongoing basis, Directors are provided with briefings on changes to accounting standards as well as updates on legal, regulatory and corporate developments relevant to IGB REIT. Individual Directors are also afforded opportunities for continuing education by attending relevant courses and seminars so as to keep themselves updated on developments and changes in IGB REIT's operating environment and to stay abreast of relevant developments in financial, legal and regulatory requirements, and the business trends. HOC/CS keeps Directors informed of the series/talks organised by regulatory bodies as well as facilitates the organisation of in-house training/development programmes.

In FY2019, all Directors and CEO had attended or participated in one or more of the following conferences, seminars and training programmes which they have individually or collectively considered as relevant and useful to enhance their business acumen and professionalism in discharging their duties to the Manager and IGB REIT:

Training Focus	Conferences, Seminars and Training Programme
CG and Sustainability	<ul style="list-style-type: none"> IGB: Malaysian Anti-Corruption Commission (Amendment) Act 2018 – Corporate Liability on Corruption
Social Enterprise and Ethics	<ul style="list-style-type: none"> Asian Strategy & Leadership Institute (ASLI): Digital Native Agenda 23's Digital Dialogue Series – DDS#1 Funding Diversity Harvard Alumni Association in Amsterdam: HAA International Leadership Workshop Malaysian Economic Convention 2019: Government's Role in Business Malaysia Inc 2.0* Radio Station 89.9: Breakfast Grille Ratio
Economics, Finance and Accounting	<ul style="list-style-type: none"> ASLI: Economics Conversation – New Risks in Today's Macroeconomic World* Bank Negara Malaysia: Technical Insight Series Talk – Traits of a Central Banker* Banking University of Ho Chi Minh: 34th Asean Shadow Financial Regulatory Committee Meeting – Trade Wars and their effect on Asian Market Stability* Forbes Asia: Forbes Global CEO Conference – Transcending the Turbulence Jeffrey Cheah Institute on Southeast Asia: Asian Economic Panel – The Global Trade System in Disarray - Fixing Design Flaws and Adjusting to a Multi-Polar War ISRA Consultancy Sdn Bhd: Islamic Finance for Board of Directors Programme London School of Economic Students' Union Malaysia Club: Economic and Leadership Forum 2019 – The Learning Curve – East Asia* Malaysian Institute of Accountants: FinTech and its impact to Capital Markets Quest Group: Colour Accounting Securities Commission Malaysia: Audit Oversight Board Conversation with Audit Committees Sunway University: 33rd Asian Shadow Financial Regulatory Committee Meeting – Rising Debt and The Risk of a Financial Crisis in Asia The Perdana Leadership Foundation CEO Forum 2019: Innovating Financial Services in Malaysia* UTM University: Universiti Teknologi Malaysia Leadership Talk Series – Malaysia's Economic Outlook amid markets in an Age of Anxiety*
Law and Taxation	<ul style="list-style-type: none"> Inland Revenue Board of Malaysia and Chartered Tax Institute of Malaysia: National Tax Conference 2019*
Industry	<ul style="list-style-type: none"> Astro Malaysia Holdings Berhad: BNC's Biz Talk over Astro CH502 CHK Consultancy Sdn Bhd: Sun Tzu's Art of War for Traders and Investor Series – The Intelligent Investor Intel Malaysia: Intel Malaysia Women Conference* Leadership Institute of Sarawak State Civil Service: Executive Talk Series: Trying Times Amid Tumult and Trauma: What Are We To Do?* Malaysian REIT Managers Association: Malaysia REIT Forum 2019 – Opportunities in the New Malaysia Sunway Group: Sunway Leaders Conference 2019

* TSL as guest speaker/panel speaker/moderator

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(continued)

Appendix 2

RRPT MANDATE

At its 7th AGM in 2019, IGB REIT obtained a general mandate for IGB REIT to enter into RRPT with IGB Group. Based on the actual amount utilised from the date of the 7th AGM up to the date of this Statement, the actual value of RRPT has not exceeded the estimate value by 10% under the mandate. The following table set forth the RRPT entered into by IGB REIT with IGB Group during FY2019 pursuant to the RRPT Mandate:

Transacting Party	Nature of RRPT	Actual Value FY2019 RM'000	Estimated Value RM'000	Interested Related Parties
IGB Group ^(a)	<ul style="list-style-type: none"> Lease of space and related facilities Provision/receipt of chilled water and liquefied petroleum gas Receipt of upgrading, repair and maintenance works Receipt of information and communication technology products and services Tenant sales verification audit and special review Management fee 	5,970 12,856 518 256 10 35,499	70,000	<ul style="list-style-type: none"> IGB REIT Management^(b) IGBC^(b) IGB^(b) DSRT^(c) DYCI^(d) ETHN^(e) TLC^(f) Pauline Tan Suat Ming (PTSM)^(g) Tony Tan Choon Keat (TTCK)^(h) Tan Chin Nam Sdn Bhd (TCNSB)⁽ⁱ⁾ Tan Kim Yeow Sdn Bhd (TKYSB)^(j) Wah Seong (M) Trading Co. Sdn Bhd (WSTSB)^(k)
	TOTAL	55,109	70,000	

Notes:

^(a) The principal activities of IGB Group are investment holding, provision of management services, property investment and management, owner and operator of malls, hotel operations, property development, construction, information and communication technology services, provision of engineering services for water treatment plants and related services, education, investment holding and management of REIT.

^(b) IGB REIT Management is a wholly-owned subsidiary of IGBC, which in turn is wholly-owned by IGB, a major UH of IGB REIT.

^(c) DSRT is MD and Non-Independent Non-Executive Director (NIED) of IGB REIT Management; Group Chief Executive Officer and NIED of IGB; a director of certain subsidiaries within IGB Group, WSTSB Group and TKYSB; major UH of IGB REIT; major SH of IGB; substantial SH of TKYSB; the father of ETHN; and a brother of PTSM and TTCK.

^(d) DYCI is NIED of IGB REIT Management; a director of certain subsidiaries within IGB Group; a son of PTSM; and alternate to PTSM on the board of WSTSB.

^(e) ETHN is NIED of IGB REIT Management; a director of certain subsidiaries within IGB Group; and a daughter of DSRT.

^(f) TLC is Non-INED of IGB REIT Management; Chairman and Non-INED of IGB; and a director of certain subsidiaries within IGB Group, TCNSB and WSTSB.

^(g) PTSM is a director of WSTSB Group and TKYSB; major UH of IGB REIT; major SH of IGB; substantial SH of TKYSB; the mother of DYCI; and a sister of DSRT and TTCK.

^(h) TTCK is a director of TKYSB Group; major UH of IGB REIT; major SH of IGB; substantial SH of TKYSB; and a brother of DSRT and PTSM.

⁽ⁱ⁾ TCNSB is major UH of IGB REIT; major SH of IGB; substantial SH of WSTSB; and person connected to TLC.

^(j) TKYSB is major UH of IGB REIT; major SH of IGB; substantial SH of WSTSB; and person connected to DSRT, PTSM, TTCK, DYCI and ETHN.

^(k) WSTSB is major UH of IGB REIT; major SH of IGB; and person connected to DSRT, PTSM, TTCK, TCNSB and TKYSB.

AUDIT COMMITTEE REPORT

The Audit Committee (AC), formed on 7 May 2012, is to assist the Board of Directors (Board or Directors) of IGB REIT Management Sdn Bhd (Manager) in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, the governance processes, and the audit process of the Manager and IGB Real Estate Investment Trust (IGB REIT), as well as the Manager's process for monitoring compliance with laws and regulatory requirements as it relates to financial matters.

AC has authority to investigate any matter within its terms of reference which can be viewed on IGB REIT's website, full access to and co-operation from management and full discretion to invite any Director or management to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

AC is pleased to present its report on the activities carried out during the year to 31 December 2019 (FY2019) and to the date of this report in conducting its affairs and discharging its responsibilities.

This report is current as at 22 January 2020 and has been approved by the Board.

COMPOSITION

AC comprises 3 members, all of whom are Independent Non-Executive Directors. AC is chaired by Halim bin Haji Din (AC Chairman) and the members are Tan Sri Dato' Prof. Lin See Yan and Lee Chen Chong whose biographies are set out in this Annual Report under the heading **Profile of Directors**. None of AC members are employed by or otherwise affiliated with the external auditor (EA) of IGB REIT. All AC members have accounting or related financial management expertise or experience.

The annual review of the composition and performance of AC, including members' tenure, performance and effectiveness as well as their accountability and responsibilities, was duly assessed on the yearly board performance-assessment exercise. Based on the evaluation for FY2019, the Board was satisfied that AC has continued to show strong performance over the years, and AC members, as indicated in their profiles, have sound judgement, objectivity, independent attitude, management experience, integrity, knowledge of the REIT industry, and financially literate. With balanced diversity of skills and experience, they have discharged their functions, duties and responsibilities, supporting the Board in ensuring that the Manager and IGB REIT uphold appropriate corporate governance (CG) standards.

MEETINGS AND ATTENDANCE

AC meetings in 2019 were pre-arranged in April 2018 together with the Board and other Committee meeting schedules. The schedule of business considered by AC covered the key areas within its remit and is supported by information provided by management, external and internal auditors. Meeting materials via electronic means are delivered within 5 days from the date of the meeting to enable ample time for members to review the information and to obtain such details and explanations where necessary.

4 meetings were held during FY2019 which were attended by all AC members. Managing Director (MD) attended all meetings as requested by AC to facilitate direct communication and to seek clarification on audit issues as well as to solicit information in relation to the operations of the Manager and IGB REIT. The meetings were also attended by Chief Financial Officer (CFO), Head of Compliance/Company Secretary and Head of Investment of the Manager, as well as Head of Group Internal Audit (GIA) of IGB Berhad (IGB), the parent company of the Manager, providing the internal audit outsourcing, upon invitation, to brief and provide comprehensive explanation on their respective reports. AC also had 2 private sessions with EA to enquire about management's co-operation with EA, their sharing of information as well as discuss the results of the audit and any other observations they may have during the audit process and regarding risk management issues, without the presence of management.

AC Chairman also permitted internal and external auditors to contact him at any time that they became aware of incidents or matters in the course of their audits or reviews that needed his attention or that of AC or the Board. Matters of significant concern raised by internal and external auditors noted by AC requiring the Board's notice, direction and approval were highlighted and reported by AC Chairman at the Board meetings. AC minutes were included in Directors' materials for meetings.

SUMMARY OF PRINCIPAL ACTIVITIES

Throughout 2019, AC executed various strategies and actions to discharge its duties and responsibilities effectively. Principal activities performed during FY2019 and to the date of this report are as follows:

(a) Financial Reporting

- (i) Evaluated on an ongoing basis the appropriateness, adequacy and efficiency of accounting policies and procedures, compliance with generally accepted accounting practice and overall accounting standards, as well as any related changes discussed and resolved any significant or unusual accounting issues. Introduced measures that, in AC's opinion, would enhance the credibility and objectivity of financial statements and reports prepared about the affairs of IGB REIT.

AUDIT COMMITTEE REPORT

(continued)

- (ii) Reviewed the quarterly unaudited financial results of IGB REIT for Q4FY2018, Q1FY2019, Q2FY2019 and Q3FY2019, which were announced via the regulatory information service (BursaLINK) immediately after the Board's approvals, respectively on 23 January 2019, 24 April 2019, 23 July 2019 and 23 October 2019, and IGB REIT Financial Statements FY2018 which were submitted via BursaLINK on 27 February 2019. AC concluded that the quarterly results and IGB REIT Financial Statements FY2018 complied with the applicable Malaysian Financial Reporting Standards (MFRS) and regulatory requirements, and presented a true and fair view of IGB REIT's financial performance.
- (iii) Noted significant changes and amendments to MFRS and other regulatory requirements that could affect the financial reporting of IGB REIT and the Manager.
- (iv) Reviewed the Manager's Audited Financial Statements FY2018 (AFS2018), and concluded that AFS2018 complied with the applicable MFRS. A copy of AFS2018 was submitted to the Securities Commission Malaysia on 29 March 2019.
- (v) Reviewed the declaration of IGB REIT's distributable income for the first, second, and third financial quarters of 2019 of 2.40 sen per unit (2.36 sen taxable and 0.04 sen non-taxable) (First Interim Distribution), 2.26 sen per unit (2.22 sen taxable and 0.04 sen non-taxable) (Second Interim Distribution) and 2.31 sen per unit (2.27 sen taxable and 0.04 sen non-taxable) (Third Interim Distribution), which were paid to the unitholders (UHs) respectively on 31 May 2019, 30 August 2019 and 29 November 2019 after the approval of the Board.

Subsequent to FY2019, AC had at its meeting on 22 January 2020, considered and reviewed the financial reporting checklist FY2019 completed by CFO, and assessed by MD, and obtained their assurance, in making its recommendation to the Board, that adequate processes and controls were in place for an effective and efficient process in preparation of IGB REIT Financial Statements FY2019 and, in all material respects, IGB REIT Financial Statements FY2019 complied with the applicable MFRS as well as disclosure provisions of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements, and fairly present the results of the operations, cash flow and financial position of IGB REIT. AC had also reviewed IGB REIT's fourth quarter financial results 2019 (Q4FY2019) as well as the declaration of the distributable income for Q4FY2019 of 2.19 sen per unit (2.15 sen taxable and 0.04 sen non-taxable) (Fourth Interim Distribution), which would be paid to UHs on 28 February 2020. Cumulatively, for FY2019, total income distribution was about RM324.7 million or 9.16 sen per unit (FY2018: 9.19 sen per unit).

(b) External Audit

- (i) Reviewed EA's audit report of IGB REIT Financial Statements FY2018 setting out their comments and conclusions on the significant auditing and accounting issues highlighted, including management's judgements, estimates and/or assessments made, and adequateness of disclosures in the financial statements.
- (ii) Reviewed, with both EA and management, the audit approach and methodology applied, and in particular of those key audit matters included in the year end EA's report.
- (iii) Reviewed EA's audit plan FY2019 for IGB REIT, encompassing the planned scope and timing for the year's audit and other examination including the evaluation of internal control systems, to the extent performed as part of the external audit.
- (iv) Considered whether the extent of reliance on internal audit by EA was appropriate and whether there were any significant gaps between internal and external audits.
- (v) Obtained assurance from EA that their independence has not been impaired.
- (vi) Reviewed, in consultation with management, the terms of engagement of PricewaterhouseCoopers PLT (PwC) for the audit of IGB REIT Financial Statements FY2019 in respect of cost, scope and performance, their independence and objectivity including non-audit services related to tax consultancy.
- (vii) Conducted bi-annual private sessions with EA without the presence of management on 23 January 2019 and 23 October 2019 to apprise on matters with regard to the audit and financial statements. No major concerns were highlighted by EA and they had received full support and cooperation from management.

Subsequent to FY2019, AC carried out the following duties at its meeting on 22 January 2020:

- (i) Reviewed the results of EA's audit report on the conduct of IGB REIT Financial Statements FY2019, the audit findings together with recommendations, including key audit matters.
- (ii) Reviewed and deliberated on matters relating to internal control highlighted by EA in the course of their audit of IGB REIT Financial Statements FY2019.

AUDIT COMMITTEE REPORT

(continued)

- (iii) Evaluated EA's performance and effectiveness, quality of communication and interaction and its independence and objectivity, on the basis of AC meetings and a questionnaire-based internal review. Based on the assessment for FY2019, AC was satisfied with EA's technical competency in terms of their skills, execution of audit plan, reporting and overall performance, and the reasonableness of their audit fees. Requisite assurance was sought and provided by EA that internal governance processes within PwC demonstrate and support the firm's independence.

(c) Internal Audit (IA)

The IA function is outsourced and undertaken by IGB's GIA Department. The Head of GIA is Christine Ong May Ee, Certified Internal Auditor (USA), Certified Risk Management Assurance (USA), Fellow Chartered Accountant (Australia), Fellow member of the Institute of Internal Auditors (IIA) (Malaysia), Chartered Accountant (Malaysia) and Bachelor of Accountancy (Hons.) (Singapore). She is assisted by a team of suitably qualified and experienced internal auditors. The Head of GIA reports to AC functionally to maintain its independence. On an annual basis, AC evaluates the performance of IA function and obtains confirmation on its independence and objectivity.

The IA function assists AC in discharging some of its duties and responsibilities, as an integral part of the governance framework. The IA function provides AC with risk-based independent and objective assurance, advice and insight on the adequacy and effectiveness of internal controls, risk management and governance processes of the Manager and IGB REIT. The IA carries out its responsibilities in conformance to the International Standards for the Professional Practice of Internal Auditing as confirmed by a quality assurance review conducted by the IIA Malaysia in 2015. The IA function also engages in quality improvement programs on an on-going basis to ensure that IA activities keep up with the latest developments in the internal auditing practices.

The IA function carries out audit engagements based on the annual plan which is approved by AC. Upon completion of each audit engagement, a report is issued to management who are responsible for ensuring that corrective actions are taken on weaknesses in risk management, controls and governance highlighted in the report within a reasonable time frame. The IA follows up with management on the status of implementation of all audit recommendations every 3 months until all recommendations have been implemented and addressed.

Other than planned assurance engagements that have been included in the IA's plan, IA also conducts ad hoc special reviews as and when the need arises or when a significant change in risk has been identified. The scope of these engagements is discussed with management and reported to AC for their approval. All reports issued for such engagements are communicated to the relevant members of management and AC.

The IA function also provides advisory services to Risk Management and Sustainability Committee (RMSC) in the areas of risk management, sustainability and business continuity. In addition, the Head of GIA is a member of the Whistleblowing Committee and Anti Bribery and Corruption Committee for IGB Group. She also manages the Feedback channel for IGB REIT.

The following is a summary of IA's work reviewed and/or approved by AC during FY2019 and to the date of this report:

- (i) Reviewed and approved IA 2019 Plan at AC meeting on 24 October 2018 to ensure adequate scope and coverage of key risk areas and processes in the operations, compliance with regulations and internal controls of the Manager and IGB REIT. The planning for the audit involved a risk-based approach which emphasised effective planning and scoping of the audit to suit the size and activities of functional areas and to concentrate audit resources on operational areas that are exposed to a greater degree of risk.
- (ii) Reviewed and approved the IA 2020 Plan and the IA Charter at AC meeting on 23 October 2019.
- (iii) Reviewed IA reports on the effectiveness and adequacy of internal controls, risk management and governance process of the Manager and IGB REIT. A total of 18 IA reports, including progress reports and special reports, were issued during the year. The audit engagements covered operational audits for internal controls review, Finance, Security, Media Management, Procurement, Safety & Health, Leasing, Housekeeping and risk management on business continuity; high-level reviews in the areas of CG, related party transactions (RPT) and sustainability reporting; and special assignments on Tricor-unit registry services and IGB REIT Corporate Liability Review – Guidelines on Adequate Procedures Analysis 2019; and tenant sales verification audits. AC engaged with management on issues and recommendations raised in the audit reports and obtained assurances that all weaknesses were addressed by management promptly. AC directed management to rectify and improve on internal control and workflow processes promptly and ensure that internal controls continue to operate effectively at all times.
- (iv) Monitored the corrective actions taken on outstanding audit issues through progress reports based on submissions by management on the status of implementation of audit recommendations, to ensure that control weaknesses have been addressed.

AC is generally satisfied with the IA's quality of service and sufficiency of resources provided, professional scepticism, quality of communication and interaction, independence and objectivity.

IGB REIT and the Manager have paid RM98,000 for GIA services in FY2019.

AUDIT COMMITTEE REPORT

(continued)

(d) Risks and Control Environment

The Board has assigned oversight of IGB REIT's risk management function to RMSC. RMSC oversees IGB REIT's overall strategy and risk framework with their expertise, experience and knowledge of business. The IA function, as part of their audit review, provides objective assurance to AC that the significant business risks are managed appropriately and the strategy and risk framework is operating effectively. Based on information and explanations by management and discussion with EA on the results of their audit, AC was generally satisfied with the adequacy and integrity of IGB REIT's internal control systems and management information systems, including systems for compliance with applicable laws, rules, directives and guidelines. No significant irregularity or deficiency in internal controls came to the attention of AC during FY2019.

An overview of the state of internal control in IGB REIT, which includes the risk management and key internal control processes is described in greater details in this Annual Report under the heading Statement on Risk Management and Internal Control.

(e) Recurrent RPT (RRPT)

During FY2019, IGB REIT entered into RRPT as disclosed in the Corporate Governance Overview Statement contained in this Annual Report. AC reviewed, on a quarterly basis, the RRPT entered into by IGB REIT with IGB Group, tracked against their mandated thresholds. AC was satisfied that all transactions were in the best interest of IGB REIT, whereby the terms concluded were fair, reasonable and based on commercial viability, and were therefore not deemed detrimental to the interests of minority UHs, and monitoring procedures to regulate such transactions were appropriate and sufficient.

Subsequent to FY2019, AC had at its meeting on 22 January 2020, reviewed the circular in relation to the renewal of UH mandate for RRPT which is set out in the Circular to Unitholders- RRPT Mandate to be sought at the Eighth Annual General Meeting to be held on 22 April 2020, and having considered, amongst others, the nature of RRPT to be made were intended to meet the ordinary and usual course of business needs of IGB REIT and likely to occur with some degree of frequency and such transactions to be undertaken at arm's length and on normal commercial terms consistent with IGB REIT's usual practices and policies, as well as the procedures and processes established to regulate RRPT, was satisfied that adequate processes and controls were in place for an effective and efficient process in the monitoring, tracking and identifying RRPT in a timely and orderly manner.

(f) Annual Reporting

AC had at its meeting held on 22 January 2020 reviewed the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report 2019, and whereupon recommendation was submitted and approved by the Board.

TRAINING

During the year, AC members attended various conferences, seminars and training programmes to enhance their knowledge to efficiently discharge their duties as Directors of the Manager as well as to keep themselves abreast with the changes and updates on technical competencies in their respective fields of expertise. Details of the training that they attended during FY2019 are set out in Appendix 1 of the Corporate Governance Overview Statement of this Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (Board) of IGB REIT Management Sdn Bhd is pleased to present the Statement on Risk Management and Internal Control (Statement). This Statement is prepared pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements (MMLR) and in accordance with the guidelines as set out in the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

The Board maintains its overall responsibility to ensure a framework of risk management and internal controls is in place for the highest level of corporate governance. The Risk Management and Sustainability Committee (RMSC) assists the Board to oversee the overall strategy and risk framework with their expertise, experience and knowledge of the business.

RISK MANAGEMENT FRAMEWORK

IGB REIT's Risk Management framework and corresponding reports were based on the Committee of Sponsoring Organisations of the Treadway Commission's (COSO) Enterprise Risk Management (ERM) framework, which was released in 2004 and updated in 2017.

In July 2019, the Board approved the revised "IGB REIT Risk Management Policy and Framework" and it was renamed "IGB REIT Strategy & Risk Framework" (Framework). This revised Framework is based on COSO ERM – Integrating Strategy with Performance Framework, which focuses on integrating risk and strategy in the organisation.

The Framework itself is a set of principles organised into 5 interrelated components:

1. **Governance and Culture:** Governance sets the organisation's tone, reinforcing the importance of, and establishing oversight responsibilities for ERM. Culture pertains to ethical values, desired behaviours, and understanding of risk in the entity.
2. **Strategy and Objective-Setting:** ERM, strategy, and objective-setting work together in the strategic-planning process. A risk appetite is established and aligned with strategy; business objectives put strategy into practice while serving as a basis for identifying, assessing, and responding to risk.
3. **Performance:** Risks that may impact the achievement of strategy and business objectives need to be identified and assessed. Risks are prioritised by severity in the context of risk appetite. The organisation then selects risk responses and takes a portfolio view of the amount of risk it has assumed. The results of this process are reported to key risk stakeholders.
4. **Review and Revision:** By reviewing entity performance, an organisation can consider how well the ERM components are functioning over time and in light of substantial changes, and what revisions are needed.
5. **Information, Communication, and Reporting:** ERM requires a continual process of obtaining and sharing necessary information, from both internal and external sources, which flows up, down, and across the organisation.

The Framework is to be reviewed annually by RMSC to ensure its adequacy as more robust methodologies are introduced.

RISK MANAGEMENT

Risk management is not about eliminating risks but IGB REIT through its robust risk management is mitigating unexpected operations surprises and losses, reducing performance variability, improving resource deployment, identifying and managing entity wide risks and also increasing the range of opportunities.

The IGB REIT culture pertaining to strategy and risks is one of ownership, whereby the functional units themselves take ownership on their strategies and risks. They identify and evaluate strategies and risks to ensure the implementation of strategic plans and mitigation actions are in place and aligned with the Framework. Functional units will monitor and measure performance of strategic plans, their mitigation actions before submitting strategy and risk reports every half year.

The RMSC maintains the database for the IGB REIT functional units' strategies and risks and monitor updates. Functional units' escalation of risks of new and existing investments, strategies or opportunities are reviewed by RMSC to ensure that exposures are within the approved risk appetite in consultation with the Audit Committee (AC) and Group Internal Audit of IGB Berhad. The Board assesses the adequacy and effectiveness of internal controls on an annual basis. Management are responsible to ensure that risk management activities are implemented effectively to manage significant business risks in a timely manner.

In order to provide contingency plans and recovery processes to respond and recover in the event of a disaster, the RMSC commissioned Internal Audit (IA) in 2019 to prepare a Business Continuity Plan (BCP) in consultation with the management and business functional units. The BCP has incorporated detailed Emergency Response Plan for each operational site, a Crisis Management & Communication Plan, and a Business Impact Analysis to ensure Business Recovery Plans are established for prompt restoration of mission critical systems. The BCP is currently being reviewed by the RMSC for approval and adoption.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(continued)

INTERNAL CONTROL PROCESSES

The Board maintains full control and direction over appropriate strategic, financial, organisational and compliance issues. It has delegated to management the implementation of internal controls in the operation of the functional units in IGB REIT.

The main pillars of the framework for internal controls include:

Organisation & Structure

- Continued maintenance of defined lines of reporting, responsibility and delegated authorities.
- Clear and structured boundaries of authority that form a framework of leadership and accountability within the group.
- Instil control-conscious and risk management culture and ensure proper tone at the top for an effective control environment.

Anticipation & Accountability

- Regular consortium of all heads of functional units to raise and review any and all significant risks and opportunities related to known and emerging changes in the operational and regulatory landscape.
- Construction of annual operating budgets and capital expenditure plans by all functional units, reviewed and approved by the Managing Director (MD), Chief Executive Officer (CEO) and the Board.
- Transparent assessment of performance against approved budgets, with reporting of discrepancy or variance to the Board.
- Regular reporting updates of all significant issues, financial accounting status and legal developments to the Board for up-to-date visibility.

Compliance & Training

- Standardisation and distribution of operating policies and procedures in line with internal controls, industry best practices and the relevant laws and regulations; to be reviewed regularly and approved by management.
- Ongoing investment in training and guidance of staff to ensure they are competent and motivated to excel in their responsibilities, improving retention rate of strong talent.
- Maintenance of clear guidelines for conducting hiring, termination and annual performance appraisal processes that uphold a reputation of corporate integrity.

The IA provides further independent assurance on the adequacy and effectiveness of the risk management and internal control systems as part of their audit review. All reports are brought to the attention of the Board through the RMSC and AC.

The Board, with the concurrence of AC, has reviewed the effectiveness of IGB REIT's system of risk management and internal controls. There were no significant internal control issues that would have resulted in any material losses, contingencies, or uncertainties that would require disclosure in the IGB REIT Annual Report.

The Board has received assurance from MD and CEO that the IGB REIT's risk management and internal control systems are operating adequately and effectively in all material aspects.

As required by paragraph 15.23 of the MMLR, the external auditors have reviewed this Statement. Their limited assurance review was performed in accordance with Recommended Practice Guide (RPG) 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the group.

This Statement is current as at 22 January 2020 and has been approved by the Board.

SUSTAINABILITY STATEMENT

1. Introduction

IGB REIT's Sustainability Statement seeks to share with our stakeholders the steps we have taken to integrate sustainability into our policies, structure, management, and operations. It also charts our sustainability journey as we work to further entrench our commitment to sustainability in our business and long-term strategies. This report also highlights our management of material economic, environmental, and social risks and opportunities, as we strive to build a sustainable business for generations to come.

It is with great pleasure that we present IGB REIT's Sustainability Statement for the financial year ended 31 December 2019 (FY2019), which covers the performance of the two malls within our portfolio, namely – Mid Valley Megamall (MVM) and The Gardens Mall (TGM). MVM and TGM operate under the same management and are both located in the Klang Valley. The reporting period covered in this report is from 1 January 2019 to 31 December 2019.

2. Enhancing our Value Proposition, Creating a Sustainable Business for Generations to Come

IGB REIT's sustainability strategy is aligned with our vision of "Crafting Experiences, Enriching Communities". We are committed to building a sustainable business that contributes to enhancing the economic and social well-being of our stakeholders through various community engagement programmes and the sound management of our day to day operations. In order to remain viable as a business in the long-term, it is imperative that we continue to offer exciting new experiences that are aligned with the values and expectations of our stakeholders. In order to do this, we need to constantly innovate, embrace change, and have an ear to the ground.

Across the globe, there is an increasing urgency to find sustainable solutions to a wide variety of issues, from reducing our reliance on single use plastics, to protecting wildlife, finding ways to tackle climate change, addressing harassment in the workplace, and empowering minorities. These are issues that are beginning to gain significant traction amongst consumers, and we believe that companies who will thrive going forward, are those who make a conscious effort to support and contribute to addressing them. Many of these issues are matters that we have already taken steps to address. Moving forward, where it makes sense for our community, we will continue to strengthen our efforts to support and address these issues. We will play our part in being responsible corporate citizens, as we continue to grow our business and work towards creating sustainable long-term value for our stakeholders.

This year, we remained committed to bringing to consumers retail experiences that are fresh, engaging, and relevant. We worked to make our malls more welcoming and convenient for our customers, while bringing in new and exciting brands to keep our tenant mix fresh. Efforts to reduce our carbon footprint and conserve our planet's precious resources were also strengthened in the year. We also continued to engage our communities, organising events and activities for our customers, and also reaching out to the underprivileged. To further entrench sustainability into our work culture, we have taken steps to incorporate sustainability measures into our regular Head of Department and operations meetings. For example, meeting minutes are no longer printed on paper, with information for the meetings now shared on a projector.

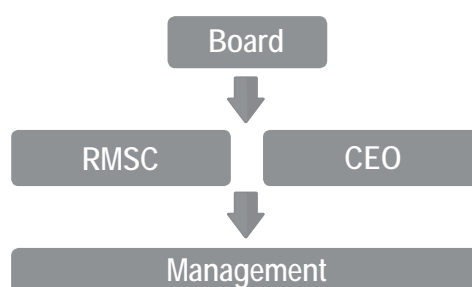
The Board of Directors (Board) of IGB REIT Management Sdn Bhd, the Manager of IGB REIT, remains firmly committed to ensuring that sustainability forms a cornerstone of our long-term strategy, and that it continues to guide how we engage with our stakeholders and make business decisions. We recognise that our efforts to grow a sustainable business must be done within a sound risk management framework and with a commitment to upholding the highest standards of corporate governance and transparency so as to safeguard stakeholder interests. We therefore have in place frameworks that work to enhance our business resilience and agility, allowing us to continue to enhance the value propositions of both MVM and TGM and create a sustainable business that will last for generations to come.

3. Our Sustainability Governance Structure

The Board is ultimately responsible for the REIT's sustainability strategy and performance. It set up a Risk Management and Sustainability Committee (RMSC) which works to ensure the REIT's continued progress and improvement as it continues on its sustainability journey. The RMSC is chaired by the Chief Executive Officer (CEO), and includes the Joint Chief Operating Officers, the Head of Operations, and the Head of Investment. The communication and implementation of key sustainability initiatives in the year are the responsibility of the management within each department and function.

The Board is kept regularly updated through the RMSC which provides updates and a review of sustainability policies and practices in place.

IGB REIT's Sustainability Governance Structure is as follows:



SUSTAINABILITY STATEMENT

(continued)

4. Materiality Process

The Manager believes that stakeholder engagement is an important aspect of our business as it allows us to gain insights into what matters to our stakeholders and what their expectations are. Throughout the year, we actively engage with our stakeholder groups both formally and informally. The insights we gain through stakeholder engagement are extremely important. We take them into account as we develop our medium- and long-term strategies, as well as take steps to make improvements to our day to day operations. Through this, we are better able to build a business that continues to remain relevant to our communities and support our long-term viability as a business.

The channels used to engage with our stakeholders are set out in Table 1 below.

Feedback Channels

Table 1: Summary of Stakeholder Feedback Channels

Business Partners	<ul style="list-style-type: none"> Annual report and sustainability report Regular dialogue and engagement through various corporates events held throughout the year as well as through meetings and discussions organised
Government & Authorities	<ul style="list-style-type: none"> Regular communication and consultation with the government and authorities Participation in industry associations, forums and dialogues. For example, Persatuan Pengurusan Kompleks Malaysia the Malaysia Shopping Malls Association, Malaysia Retail Chain Association, and International Council of Shopping Centres
Employees*	<ul style="list-style-type: none"> Regular employee engagement, for example through employee satisfaction surveys, appraisals, training programmes, internal staff communication and newsletters, as well as team activities organised
Investment Community	<ul style="list-style-type: none"> Regular engagement with the investment community through the Annual General Meeting, the annual report and sustainability report, as well as announcements and circulars issued, amongst others
Retail Shoppers	<ul style="list-style-type: none"> Feedback received from shoppers through various feedback channels, for example, at marketing and promotional events, social media, customer loyalty programmes, as well as feedback and enquiry channels
Tenants	<ul style="list-style-type: none"> Feedback received from tenants through various feedback channels such as meetings and discussions organised through the year and feedback and enquiry channels that are in place

* Chartwell ITAC International Sdn Bhd (Property Manager) has engaged Mid Valley City Sdn Bhd and Mid Valley City Gardens Sdn Bhd (Service Providers) to manage the people who oversee the day to day running of our malls

In 2017, the RMSC organised a workshop for the management of departments and functions within IGB REIT to help raise awareness around sustainability matters relevant to our business. The workshop also included a session which was used to identify material sustainability matters relevant to IGB REIT using the materiality matrix included in Bursa Malaysia's Sustainability Reporting Guide.

The material sustainability matters identified as part of the 2017 exercise reflect the most relevant and significant issues to IGB REIT and our stakeholders. The list of issues identified is reviewed annually to determine if a reprioritisation is required. Since 2017, and following annual reviews of the identified material sustainability matters, the list has remained unchanged. This year has been no different. As with previous years, the results of the assessment were included in a report and tabled to the RMSC as well as the Audit Committee.

IGB REIT's 2019 Material Sustainability Matters, listed in no particular order, are set out below.

Table 2: List of Material Sustainability Matters

Material Sustainability Matters
Enriching Communities
Human Capital Management
Health and Safety
Community Engagement
Energy Conservation
Water Management
Waste Management
Security

SUSTAINABILITY STATEMENT

(continued)

(a) Economic

Enriching Communities

People are the key drivers of our business. Without the support of our business partners, tenants, customers, neighbours, and stakeholders, we would not be where we are today. It is therefore extremely important to us that we work hard to ensure that our malls are relevant, accessible, safe, and most importantly, contributing to the enrichment of the neighbourhoods and communities in which we operate. As such, we are constantly upgrading our facilities and working collaboratively with our communities, including our neighbours, to enhance the vicinity around Mid Valley City so that together we can create a thriving hub that can be enjoyed by all.

This year for example, MVM created a Grab lounge located at the North entrance for visitors to use, and reconfigured the Ground Floor East by repositioning the escalators and tenants to help increase accessibility in the area. TGM also introduced a Grab waiting area located in front of Dome, and completed the upgrading of their escalators which have enhanced safety and performance, as well as improved energy efficiency.

Additionally, we saw the opening of the KL Eco City Link Bridge in November this year which has allowed for greater accessibility and connectivity to the buildings in the area as well as to the KTM and LRT lines.

(b) Environmental

Water Management

Water scarcity is a problem that affects everyone, everywhere. It is one of the most pressing issues of our time. As populations continue to grow and the effects of climate change become more aggravated, competition for water will escalate and demand for water will outstrip supply. Today, according to data from the World Resources Institute, a quarter of the world's population face "extremely high" levels of water stress, where countries are drawing more than 80% of their available water supply each year. Malaysia has faced its own share of water shortages, with water rationing exercises taking place again this year.

The urgency with which we need to address water scarcity is at an all-time high. Much can be done to improve water management, but it will take the commitment of not only Governments, but everyone to make a difference. IGB REIT has continued to make a conscious effort to reduce our water consumption, and since we started our sustainability reporting, have seen a steady year on year reduction in overall consumption. This year was no different, with total water consumed by both malls falling marginally from 731,724 cubic metres in 2018 to 731,056 cubic metres in 2019. This was despite MVM recording an increase in its water consumption in the year. MVM's increased usage was due to the mall having to use one additional chiller to maintain a comfortable internal temperature in the mall, as external temperatures this year were higher on average as compared to 2018. The increase in square footage as a result of the Ground Floor East reconfiguration also contributed to the higher usage. Despite this, both malls continued to make headway in their efforts to improve water efficiency and reduce water consumption.

This year, we have taken steps to improve the performance of our mall's chiller plant rooms, increasing their efficiency and reducing the amount of water consumed. At TGM, steps were taken to address leaks in the cold water pipes. The pipes were changed from an acrylonitrile butadiene system to a polypropylene blend (PPR). PPR pipes have consistently proven to be more durable in the long run. Water pressure in the toilets have also been reduced to help decrease the amount of water used overall.

Sources of unaccounted water consumption in 2018 were also identified. At MVM, this has been attributed to the cleaning of air handling units (AHU), fountains, a nursery, the LPG tank farm, the east roof top, as well as the loading docks. Once these sources were identified, MVM worked to address them. For example, the fountain was serviced to minimise any splashing, an irrigation system was installed to ensure a more targeted watering of plants so as to minimise any water wasted, and housekeeping staff were instructed to use water jets to clean the loading docks which also helps minimise overall water used. At TGM, the unaccounted water consumed was attributed to the cleaning of AHUs. This year, an external vendor was engaged to provide advice on how best to improve our efficiency when using water to clean our AHUs in both malls.

Table 3: Annual Water Consumption (2016 to 2019)

Year	← m ³ →			Total Change (%)
	MVM	TGM	Total	
2016	452,713.70	338,708.39	791,422.09	Base year
2017	438,784.57	341,023.64	779,808.21	(1.5)
2018	405,871.25	325,852.49	731,723.74	(6.2)
2019	421,380.00	309,676.00	731,056.00	(0.08)

SUSTAINABILITY STATEMENT

(continued)

Moving forward, we will continue to monitor our water consumption and carry out investigations where there is a significant increase in usage. We will also conduct regular reviews to identify additional areas that we can look into to further increase water efficiency and decrease water consumption in our malls. Next year for example, we will be changing the toilet bowls in our malls to ones that have a more efficient flushing system. We also plan on engaging our tenants, further educating them on responsible water usage so that they can improve the efficiency with which they use the limited resource.

Waste Management

Waste production is a global problem that affects developing and developed cities alike. With waste generation rates increasing every year, the World Bank expects annual waste generation to reach 3.40 billion tonnes by 2050, a 70% increase from levels recorded in 2016. Effective waste management is a critical component for building sustainable and liveable cities, however it is both expensive and requires integrated systems that have the support of Governments and communities around the world. Globally, steps have been taken to address this problem to varying degrees. In Malaysia there has been a push to educate the public about the importance of responsible waste management, particularly the need to recycle and reduce the use of single use plastics.

Through the years, MVM and TGM have taken steps to both educate their communities about responsible waste management and encourage the use of recyclable materials where possible. This year, we implemented a waste segregation programme for our food & beverages (F&B) tenants, allowing for waste separation at the source. Prior to the implementation of the programme, proper education and training was provided to all F&B tenants and their staff, and all tenants were given sufficient time to prepare by purchasing the necessary bins and rubbish bags. Before the official kick off of the programme, the malls also provided manpower at the refuse chambers to assist all tenants during the transition period, ensuring that all waste was disposed of correctly.

We also supported various tenants who have carried out recycling initiatives in the year. For example, TGM supported a clothing recycling initiative by Guess, a plastic / glass bottle recycling drive by L'Occitane, as well as Nespresso's coffee capsule recycling initiative. MVM has also supported their tenants. In December this year for example, they supported Project Denim Angel, an initiative organised by the Voir Group through Voir Gallery, their multi-brand urban concept store. The initiative seeks to educate consumers about fabric waste, teaching them how to use the right channels to recycle used fabrics. Members of the public can drop off items such as denim, clothing, shoes, handbags, belts and soft toys at collection bins located at the P2 South Car Park Lobby. Fabrics donated will be turned into industrial cleaning cloths, upcycled into new garments, or processed into biofuels. The denim collected will be donated to Suri Lifestyle, a social enterprise that empowers single and underprivileged mothers. The denim will be upcycled into unique handcrafted products to be sold to the public. The initiative will run through to the end of February 2020.

This year, we saw a marginal increase in the volume of waste disposed, however, this was accompanied by a more than proportionate increase in the volume of recyclable materials collected. We believe that the continued increase in the volume of recyclable materials is the result of our ongoing efforts to educate the public about the importance of recycling, the increase in the number of recycling bins placed throughout the malls, as well as the implementation of a waste segregation programme for our F&B tenants. This year the number of recycling bins in our malls increased to 11 in MVM and 42 in TGM.

We measure the volume of waste disposed of by the number of pulls of standard sized bins performed by our waste disposal contractor. The size of each bin is 20 cubic yards. At a conversion of 2 tonnes per pull, the total amount of waste disposed of from 2016, when we first started our sustainability reporting, to 2019, is as follows:

Table 4: Annual Volume of Waste Disposed (2016 to 2019)

Year	Total Pulls	Total Tonnes	Change in Total Pulls (%)
2016	2547	5094	Base year
2017	2372	4744	(6.9)
2018	2087	4174	(12.0)
2019	2096	4192	0.4

SUSTAINABILITY STATEMENT

(continued)

At an estimated conversion rate of 1.5 tonnes per pull, the total amount of recyclable materials collected from 2016 to 2019 is as set out in the table below.

Table 5: Total Volume of Recyclable Materials Collected (2016 to 2019)

Year	Total Pulls*	Total Tonnes	Change in Total Pulls (%)
2016	230	345	Base year
2017	230	345	0
2018	249	374	8.3
2019	286	429	14.9

* Please note that last year's figures for "Total Pulls" was mislabelled. The figures should have been labelled as "Total Tonnes". As such, last year's figures for "Total Tonnes" were overstated. The table above now reflects the correct figures.

From September 2018, we were unable to run our food composting machine as the supplier of the compost catalyst material ceased operations. In 2019, we were able to find a new supplier and in January, continued with our food composting efforts.

The volume of food composted from 2016 to 2019 is as set out below.

Table 6: Volume of Food Composted (2016 to 2019)

Year	Kg	% change
2016	4957	Base Year
2017	4968	0.2
2018	2827	(43.1)
2019	3725	31.8

Energy Consumption

Societal demand for energy has skyrocketed, greatly depleting the fossil fuels that are powering a majority of our current energy needs. Not only are these resources limited, but their use has produced a considerable increase in greenhouse gases which have contributed to climate change. Governments around the world are therefore grappling with finding viable and sustainable sources of energy, allowing us to meet our energy demands today without compromising the ability of future generations to do the same.

Energy is the largest cost component for our malls, accounting for 30% of IGB REIT's total operating cost. In 2019, the annual cost of energy consumed amounted to RM41.1 million as compared to RM40.3 million in 2018. It is therefore in our interest to work to reduce total energy consumed as well as increase energy efficiency in our malls as it will help us bring down operating costs and work towards supporting a more sustainable future.

In 2019, we engaged an energy audit consultant to measure the efficiency of our chiller plants, recommend ways to further reduce any wastage, and increase overall efficiency. Based on the recommendations given, MVM reduced the pump size of a secondary pump in one of the chiller plants, and both MVM and TGM upgraded some cooling tower parts to improve the condenser water temperature and chiller efficiency.

We have also continued to review our overall energy usage, and have worked to identify additional areas where improvements can be made. In 2019, MVM reviewed the operation of its basement ventilation fans and took steps to reduce the power consumed by them in the basement car park. Works to replace lightening with more efficient LED options also continued in the year to support greater energy efficiency. TGM saw the completion of the installation of new escalators which are more energy efficient and sensor based. They also completed the common mall downlight installation which also reduced power consumption.

Though total energy consumed by both malls in the year decreased, MVM's usage increased. This was due to the mall having to use an additional chiller to maintain internal temperatures at a comfortable level, and the increase in square footage as a result of the Ground Floor East reconfiguration.

SUSTAINABILITY STATEMENT

(continued)

Table 7: Annual Electricity Consumption (kWh) (2016 to 2019)

Year	← kWh →		Total	Total change (%)
	MVM	TGM		
2016	50,707,660.00	45,709,489.60	96,417,149.60	Base
2017	47,861,707.64	43,789,735.64	91,651,443.27	(4.9)
2018	46,152,183.00	40,921,119.86	87,073,302.86	(5.0)
2019	47,841,910.00	38,744,118.00	86,586,028.00	(0.6)

Addressing the world's looming energy crisis will take the combined efforts of Governments and communities around the world. IGB REIT remains committed to doing our part and will continue to review and assess our energy usage, exploring new ways to reduce our energy consumption and increase efficiency.

(c) Social

Health and Safety

We are committed to prioritising the health and safety of our tenants, shoppers, and employees. This commitment is championed by top management, with all staff expected to similarly prioritise it as part of day to day operations. A Safety, Health and Environment Committee oversees the health and safety of our business and works to ensure that health and safety policies are incorporated into our daily operations, regularly reviewed, and updated where required. The committee meets once a quarter to review all health and safety matters in our malls. The team also keeps abreast of health and safety incidents that occur in malls not only in Malaysia but abroad, using these incidents to help us better prepare should similar situations occur within our malls.

Regular safety audits, safety trainings, and inspections are conducted to ensure our compliance with the Occupational Safety and Health Act, and to help manage safety risks within our malls. Fire drills are also held annually to ensure all employees and tenants are familiar with escape routes and know what actions they need to take in the event of an emergency.

Our security teams and health and safety personnel keep track of all health and safety incidents that occur in our malls and work to ensure that they are all thoroughly investigated, with all necessary follow-up action undertaken.

This year, we saw an overall increase in reported health and safety incidents as a result of a rise in reported injuries and motor vehicle accidents / property damage incidents. The majority of injuries reported were sustained on escalators or the result of slip and falls. To address these incidents, we have continued to remind shoppers to take care on escalators and travellers through signs posted and announcements made. We have also informed our tenants and cleaning staff to be more vigilant about keeping floors dry and free of potential obstructions. Of the incidents of motor vehicle accidents / property damage reported, 6 of those were the result of a fire. A majority of these cases were due to faulty wiring, with one case the result of a potted plant catching fire as a result of a customer throwing a cigarette butt in the plant. To address these incidents, we have worked to better educate our tenants on proper wiring including how to address loose/faulty connections and have also put up signs to remind customers about smoking and disposing of cigarettes responsibly.

Unfortunately this year, we also had one fatality reported. An elderly gentleman lost consciousness while at MVM, and subsequently passed away. Our teams were quick to respond, and were on hand to assist his family members until the ambulance arrived.

Table 8: Reported Health and Safety Incidences (2016 to 2019)

Incidents cases	2016	2017	2018	2019
Death	-	-	-	1
Dangerous Occurrence	46	54	10	4
Injury	8	10	13	29
Near Misses	18	6	10	7
Occupational Poisoning or Disease	-	-	11	12
Motor Vehicle Accident/Property Damage	-	-	6	16
Total	72	70	50	69

IGB REIT regrets the occurrence of all health and safety incidents that have occurred in our malls and remains committed to continuing to monitor our safety performance, reinforcing safety standards, and fine-tuning our standard operating procedures, allowing us to improve year on year. The health and safety of our community remains a priority and we will continue to work closely with our teams and the authorities to provide a safe and secure environment for all who visit us.

SUSTAINABILITY STATEMENT

(continued)

Human Capital Management

Mid Valley City Sdn Bhd and Mid Valley City Gardens Sdn Bhd (Service Providers) have been engaged by Chartwell ITAC International Sdn Bhd (Property Manager) to manage the people who oversee the day to day operations of our malls. The Service Providers have adopted an integrated human capital strategy that seeks to recruit, develop, and motivate its employees to drive sustainable growth.

The approach to human capital development undertaken by the Service Providers is aligned to that adopted by IGB Berhad Group. The Service Providers believe in cultivating an open and non-hierarchical work culture which allows all employees to share ideas, express concerns, and provide feedback freely across all levels. They believe that it is by empowering employees at all levels and allowing them to speak up and effect change within the organisation, that we can cultivate an environment that encourages the development of cutting edge ideas that will allow our business to stay ahead of the competition and be well-placed to sustain our growth in the long term. This culture also helps in attracting young talent who are increasingly looking for jobs that they can make a difference in, that are meaningful, and that they can affect change through.

Talent development remains a cornerstone of the human capital development approach undertaken. The Service Providers are committed to developing the skills and knowledge of its employees, offering a range of training opportunities so that they can continue to grow professionally, and actively contribute to our business. All staff are provided with on-the-job training, skills-based training, communication and customer service development, as well as essential training which covers areas ear-marked as essential for all employees. Staff who wish to pursue longer term certifications including diplomas and graduate level programmes, also receive support through a "Tuition Reimbursement Scheme" available to staff at all levels.

The Service Providers work hard to ensure that our employment packages are competitive and compelling, benchmarking them against competitor salary and benefit surveys. Comprehensive medical coverage is also offered to all employees. Annual health check ups and eye check ups are organised for all employees, and staff are provided with a health and dental medical card for out-patient and specialist treatments. They are also covered by the Group Hospitalisation and Group Personal Accident insurance schemes on top of the coverage received from the Social Security Organisation (SOCSSO) here in Malaysia.

The Service Providers uphold the highest standards of professionalism at all times and all forms of discrimination, bribery, and corruption are not tolerated. All job applicants and staff are treated fairly and are assessed based on ability, experience, and skills. The Service Providers strictly abide by the Employment Act and other legal statutory provisions in Malaysia, as well as international labour provisions where applicable. To support the professional work culture, an official feedback channel and a whistle blower hotline is available to enable anonymous feedback to be made to management, thus allowing for the appropriate actions to be taken where required. Employment policies and practices are also made easily available to all employees.

It is important to the Service Providers that employees have opportunities to get to know one another outside of a formal work environment, as they believe that it promotes camaraderie and supports the team work required in our business to do well. Department lunches and birthday celebrations are often organised, and employees are encouraged to participate in events organised by the Group, such as the Group Annual Dinner and the Chinese New Year Celebration amongst others. A healthy work-life balance is also actively encouraged. Regular sporting activities are organised that all employees are welcome to take part in, and all staff are eligible to claim a subsidy for gym memberships undertaken.

The Service Providers are continually looking to enhance their approach to human capital development and are open to implementing new ideas and approaches if it makes sense for the business. An initiative to transition all staff to a 5 day work week for example, has been successful, with all administrative staff now enjoying the shorter work week. Flexibility has also been incorporated, with employees now able to choose when they start work, with the only requirement being that they fulfil their prescribed working hours.

Security

We continue to see terrorist attacks take place around the world. The threat remains real and something that we take very seriously. Our teams continue to work closely with Polis Diraja Malaysia to ensure that we receive timely information and intelligence on potential threats, particularly around MVM and TGM, so that we are able to prepare and take preventive measures if necessary. We continue to improve the efficiency and effectiveness of our security services, focusing on security controls, intelligence, and training. We also continually strengthen our crime prevention activities, deploying personnel at strategic locations, performing regular patrols to show a constant security presence and visibility, and installing additional electronic security devices around the mall to serve as tools for monitoring, detecting, and deterring crime. We also work in continuous partnership with other enforcement agencies allowing us to work collaboratively on investigations, information sharing, and training.

Impacting Lives, Enriching Communities

Creating a sustainable business does not end with just our day to day operations, it extends to the communities in which we operate. This year, MVM continued to support various charitable organisations, organising festive events to celebrate Malaysia's rich culture and diversity, and bring cheer to our communities, particularly those in need.

SUSTAINABILITY STATEMENT

(continued)

TGM also did their part to give back to the underprivileged. To create a bigger impact, TGM streamlined its resources by focusing on aiding one charitable organisation in 2019 – Teach for Malaysia (TFM). TFM seeks to end education inequity in Malaysia and is an education movement that works to empower all children to be leaders of their own learning, their future, and the future of Malaysia.

Through their efforts, TGM helped to raise over RM130,000 in donations for TFM this year, grow their donor base, and also raise awareness about the organisation amongst members of the public. Through the various events held in the mall, a number of companies came to learn about TFM as well, and expressed their interest in working to support them in their own way.

a. Chinese New Year

MVM organised a festive Chinese New Year outing for 39 senior citizens from the Rumah Victory Elderly Home. The senior citizens watched a lion dance performance before being treated to a delicious Nyonya-fusion lunch at Chuck Two Sons. All senior citizens also received a celebratory red packet (Ang Pow). The Rumah Victory Elderly Home is one of the centres under the purview of Rumah Victory, a non-profit organisation in Kuala Lumpur that seeks to offer new hope for a purposeful life for those in need.



Celebrating Chinese New Year at Chuck Two Sons



Senior citizens from the Rumah Victory Elderly Home celebrating Chinese New Year at MVM

b. Hari Raya

MVM invited 86 children from Pertubuhan Kebajikan Al- Firdausi to celebrate Hari Raya with a fun-filled day at the mall. The children had the opportunity to play a variety of games at the different fun zones at The Rift, before heading over to Good2U to buy some new clothes for the festive season. The day ended with a Buka Puasa dinner at the Boulevard Hotel, where the children received a celebratory green packet (Duit Raya). Pertubuhan Kebajikan Al- Firdausi is a welfare organisation that supports underprivileged children.

TGM continued their support of TFM during Hari Raya, helping to raise awareness about the good work that the organisation does as they strive to end education inequity in Malaysia. From 17 May to 9 June 2019, a booth was set up on the ground floor of TGM to help educate the public about TFM, as well as help the organisation raise funds and grow their donor base.



Enjoying a Buka Puasa Dinner at the Boulevard Hotel



Volunteers at the Teach for Malaysia booth set up at TGM

c. Christmas

MVM invited 40 children from Pusat Penjagaan Kanak-Kanak Cacat Taman Megah to spend a day at the mall where they were treated to some shopping at Good2U as well as Popular Bookstore. The children also enjoyed a festive feast at Nando's before catching a movie at the Golden Screen Cinemas.

SUSTAINABILITY STATEMENT

(continued)

This year, staff of the mall also carried out a special festive initiative during the Christmas period. A Weave.Fun booth was set up in the mall to sell a variety of specially hand-woven products made by MVM employees. All proceeds collected were donated to Assisi Palliative Care, Pusat Penjagaan Kanak-Kanak Cacat Taman Megah, United Voice and Yayasan Chow Kit. On-ground events further supported the charitable efforts carried out during the Christmas period. Ticket sales from "Come Meet Santa" (RM10 per ticket) and a percentage of all sales from Falemy Homemade Cookies, Bloop by Irina and totally cooked by Chrissy, were also donated to charity.

Total funds raised and donated to various homes during Christmas amounted to RM60,000.



Customers browsing the Weave.Fun booth

Christmas saw TGM extend their support for TFM by setting up an information booth at the North Palm from 27 November to 25 December 2019. The booth helped further raise awareness about the organisation's mission and the good work that it has continued to do in Malaysia to end education inequity. It also helped TFM raise funds through donations collected and grow their donor base. A total of RM6,568 was raised at the booth.

To wrap up TGM's collaboration with TFM in 2019, representatives from TFM were invited to attend TGM's first ever tree lighting ceremony. At the ceremony, a mock cheque of RM30,000 was presented to Dzameer Dzulkifli, Managing Director and Co-Founder of TFM, by Antony Barragry, CEO of the Manager.



Antony Barragry, CEO of the Manager, presenting a mock cheque to Dzameer Dzulkifli, Managing Director and Co-Founder of Teach For Malaysia



The Teach For Malaysia booth set up at the North Palm of TGM

Mid Valley City Charity Run 2019

The Mid Valley City Charity Run 2019 was held on 22 September 2019. Jointly organised by TGM and MVM, the run is in its 6th year. Due to the haze that engulfed Malaysia for much of September, and with the health and safety of the participants in mind, a decision was made to change the route of the run so that it would be shorter, with a majority of the course indoors. The 5 kilometre run and warm-up session was also cancelled and participants were encouraged to walk the amended route. The walk ended with an indoor exercise session. A total of RM100,000 was raised and channelled to TFM through registration fees collected.



Antony Barragry, CEO of the Manager, presenting a mock cheque to Dzameer Dzulkifli, Managing Director and Co-Founder of Teach For Malaysia



Participants at the Mid Valley City Charity Run 2019

SUSTAINABILITY STATEMENT

(continued)

In conjunction with the run, an interactive exhibition was set up in the North Palm of TGM from 13 to 22 September 2019. The exhibition sought to engage shoppers and encourage them to learn about TFM. Shoppers who came up to the exhibition were approached by TFM volunteers pretending to be students who would then share their challenges in education with them. Through this, shoppers were able to get a glimpse into a typical day of a TFM Fellow as they teach children in schools that serve underprivileged communities. TFM Fellows comprise of outstanding fresh graduates as well as young professional who volunteer to teach full-time for 2 years at public schools that serve Malaysia's underprivileged communities while completing a Postgraduate Diploma in Education. As part of the Fellowship, these individuals are also tasked to lead an initiative that benefits the broader communities that they serve by identifying and developing a sustainable solution for a problem faced by the community in their region.



The interactive exhibition set up to help raise awareness about Teach For Malaysia



"My Wish for the Children of Malaysia" – A Collaborative Writing Game for Members of the Public

Sponsorship, Charitable Support and Other Events

Throughout the year, MVM also lent their support to various organisations through offering free promotional spaces for campaigns and programmes, as well as monetary support through sponsorships. The organisations supported this year are set out below.

TSM Blood Donation Drive	Promotional Space Rental Waiver of RM5,000
DBKL Tax Assessment Collection Counter 2019 (January & August 2019)	Promotional Space Rental Waiver of RM34,000
High Profile Police Programme	Promotional Space Rental Waiver of RM1,200
CSR Project Denim Angel	Promotional Space Rental Waiver of RM3,600
Commercial Kombi Van by Ms Read	Promotional Space Rental Waiver of RM1,700
United Voice	Promotional Space Rental Waiver of RM9,700
Miss Focus Point Dazzling 2019 Charity Ball	Sponsorship of RM5,000
Malaysia Aeon Foundation Charity Gala Dinner	Sponsorship of RM20,000

As part of their outreach programme, TFM invited Gabrielle Tan, Head of Marketing at TGM to be part of their 2019 TFM Week. Ms Tan was given the opportunity to co-teach a science class with a TFM Fellow on 15 July 2019.



Ms Gabrielle Tan, Head of Marketing at TGM, with TFM Fellows and Students during TFM Week

Supporting the Development of Chess in Malaysia

IGB's Co-Founder, Dato' Tan Chin Nam, was an avid supporter of chess throughout his lifetime. This year MVM assisted with the 16th Malaysia Chess Festival 2019 which was held from 9 to 18 August 2019. The event saw the participation of 1,362 chess players from 36 countries. The 46th Selangor Open Chess Tournament 2019 was also held at the Cititel Mid Valley Hotel from 26 April to 1 May 2019.



Participants playing chess at the 16th IGB Dato' Arthur Tan Malaysian Open Chess Championship, an event in the 16th Malaysia Chess Festival 2019

SUSTAINABILITY STATEMENT

(continued)

IGB Berhad supported both events, donating RM331,080 to the 16th Malaysia Chess Festival 2019, and RM30,600 to the 46th Selangor Open Chess Tournament 2019. The donations were presented to the Dato' Tan Chin Nam Foundation.

5. Looking Ahead

We remain committed to incorporating sustainability in our business, working to embed policies and processes that support a formal approach to sustainable growth. Though we believe that it is important to have in place formal structures that allow us to set goals, track our progress, and facilitate timely reporting, we believe that real change will only occur through changing the mindsets of our people so that incorporating sustainability is no longer just a requirement that needs to be fulfilled but something that is inherent in all that we do. With this in mind, we have adopted an incremental approach to building our sustainability framework and culture which we continue to build on year after year.

As 2019 has come to a close, the urgency with which we need embrace a sustainable development agenda has never been more pronounced. In the last quarter of the year alone, news about the Amazon wildfires that have been raging at rates that have not been seen in years, and the Australian bushfires, which in December had already affected more than 5 million hectares, made international headlines. These are just some events that have highlighted the urgency with which the global community must come together and address climate change, amongst other environmental concerns. As a responsible corporate citizen, we will continue to work to play our part to build a sustainable business that continues to positively contribute to enhancing the welfare and well-being of our communities, while continuing to deliver long term value to our unitholders.

2020 will see us continue to bring to market fresh and exciting retail experiences, and work in partnership with our communities to build a sustainable business that continues to excite and surprise shoppers with innovative and cutting-edge retail experiences.

FINANCIAL STATEMENTS

31 December 2019

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MANAGER'S REPORT

The Manager of IGB Real Estate Investment Trust ("IGB REIT" or "Fund"), IGB REIT Management Sdn Bhd ("Manager"), is pleased to present the report and audited financial statements of the Group (i.e. IGB REIT and its wholly-owned subsidiary, IGB REIT Capital Sdn Bhd) and of the Fund for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITY OF THE MANAGER

The principal activity of the Manager is the management of real estate investment trust ("REIT"). There has been no significant change in the nature of this activity during the financial year.

THE FUND AND ITS INVESTMENT OBJECTIVE

IGB REIT is a Malaysia-domiciled REIT established on 25 July 2012 pursuant to the deed of trust dated 18 July 2012, as amended by the first amending and restating deed dated 25 October 2018 ("Deed") between the Manager and MTrustee Berhad ("Trustee"), listed on Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 21 September 2012 and regulated by the Securities Commission Act 1993, the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts ("REIT Guidelines"), the Listing Requirements of Bursa Securities, the Rules of Bursa Malaysia Depository ("Depository") and taxation laws and rulings. IGB REIT will continue its operations until such time as determined by the Manager and the Trustee as provided under the provisions of Clause 27 of the Deed. The principal investment policy of IGB REIT is to invest, directly and indirectly, in a diversified portfolio of income producing real estate used primarily for retail purposes in Malaysia and overseas as well as real estate related assets. Real estate used primarily for retail purposes would include retail properties and mixed used development with a retail component.

DISTRIBUTION OF INCOME

IGB REIT had declared distributions in the financial year as follows:-

- 2.40 sen per unit (@ 2.36 sen taxable and 0.04 sen non-taxable) for the period from 1 January 2019 to 31 March 2019, which was paid on 31 May 2019;
- 2.26 sen per unit (@ 2.22 sen taxable and 0.04 sen non-taxable) for the period from 1 April 2019 to 30 June 2019, which was paid on 30 August 2019;
- 2.31 sen per unit (@ 2.27 sen taxable and 0.04 sen non-taxable) for the period from 1 July 2019 to 30 September 2019, which was paid on 29 November 2019; and
- 2.19 sen per unit (@ 2.15 sen taxable and 0.04 sen non-taxable) for the period from 1 October 2019 to 31 December 2019, which is payable on 28 February 2020.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

DIRECTORS

The Directors who have served on the Board of the Manager, since the date of the last report are as follows:-

Tan Sri Dato' Dr Lin See Yan
 Dato' Seri Robert Tan Chung Meng
 Halim bin Haji Din
 Le Ching Tai @ Lee Chen Chong
 Tan Lei Cheng
 Daniel Yong Chen-I
 Elizabeth Tan Hui Ning

MANAGER'S REPORT

(continued)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Manager is a party, with the object or objects of enabling the Directors of the Manager to acquire benefits by means of the acquisition of units in or debentures of IGB REIT or any other body corporate, other than as disclosed in Directors' interest.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than certain Directors received remuneration as a result of their employment with the Manager or related corporations).

DIRECTORS' INTEREST

The following Directors of the Manager who held office at the end of the financial year had, according to the register of unitholdings in IGB REIT, interests in the units of IGB REIT as follows:-

	Number of units			Balance at 31.12.2019
	Balance at 01.01.2019	Addition	Disposal/ Transferred	
Dato' Seri Robert Tan Chung Meng				
Direct	14,739,081	-	-	14,739,081
Indirect	1,900,140,097	14,017,647	-	1,914,157,744
Tan Lei Cheng				
Direct	1,853,742	-	-	1,853,742
Indirect	345,722	-	-	345,722
Daniel Yong Chen-I				
Direct	622,132	-	-	622,132
Indirect	1,080,898	-	-	1,080,898
Elizabeth Tan Hui Ning				
Direct	3,279,000	300,000	-	3,579,000

Other than as disclosed above, the other Directors who held office at the end of the financial year did not have interests in the units of IGB REIT.

OTHER INFORMATION

Before the financial statements of the Group and of the Fund were prepared, the Manager took reasonable steps:-

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, which were unlikely to realise in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Fund had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Manager is not aware of any circumstances:-

- which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Fund inadequate to any substantial extent;
- which would render the values attributed to current assets in the financial statements of the Group and of the Fund misleading; or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Fund misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which, in the opinion of the Manager, will or may affect the ability of the Group or of the Fund to meet its obligations when they fall due.

MANAGER'S REPORT

(continued)

OTHER INFORMATION (continued)

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group or of the Fund which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or of the Fund which has arisen since the end of the financial year.

At the date of this report, the Manager is not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Manager:-

- (a) the results of the operations of the Group and of the Fund during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Fund for the financial year in which this report is made.

MATERIAL LITIGATION

The Manager is not aware of any pending material litigation as at the date of statement of financial position and up to the date of this report.

SOFT COMMISSION

There was no soft commission received by the Manager and/or its delegates during the financial year.

HOLDING COMPANY

The Manager regards IGB Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Securities, as the holding company.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 20 February 2020.

DATO' SERI ROBERT TAN CHUNG MENG
MANAGING DIRECTOR

HALIM BIN HAJI DIN
DIRECTOR

STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements are drawn up in accordance with the provisions of the Deed, the REIT Guidelines, applicable securities laws, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2019 and of their financial performance and cash flows for the year ended 31 December 2019.

Signed on behalf of the Board of the Manager in accordance with a resolution of the Directors of the Manager dated 20 February 2020.

DATO' SERI ROBERT TAN CHUNG MENG
MANAGING DIRECTOR

HALIM BIN HAJI DIN
DIRECTOR

STATUTORY DECLARATION

I, Chai Lai Sim, the Chief Financial Officer of the Manager primarily responsible for the financial management of the Group and of the Fund, do solemnly and sincerely declare that the financial statements are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHAI LAI SIM

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 20 February 2020.

Before me:

COMMISSIONER FOR OATHS

TRUSTEE'S REPORT

to the Unitholders of IGB REIT (Established In Malaysia)

We have acted as Trustee of IGB REIT for the financial year ended 31 December 2019. In our opinion and to the best of our knowledge, the Manager has managed IGB REIT in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Deed, the REIT Guidelines, applicable securities laws and other applicable laws during the financial year then ended.

We have ensured the procedures and processes employed by the Manager to value and price the units of IGB REIT are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements.

We also confirm the income distributions declared during the financial year ended 31 December 2019 are in line with and are reflective of the objectives of IGB REIT. Income distributions have been declared for the financial year ended 31 December 2019 as follows:-

- 2.40 sen per unit (@ 2.36 sen taxable and 0.04 sen non-taxable) for the period from 1 January 2019 to 31 March 2019, which was paid on 31 May 2019;
- 2.26 sen per unit (@ 2.22 sen taxable and 0.04 sen non-taxable) for the period from 1 April 2019 to 30 June 2019, which was paid on 30 August 2019;
- 2.31 sen per unit (@ 2.27 sen taxable and 0.04 sen non-taxable) for the period from 1 July 2019 to 30 September 2019, which was paid on 29 November 2019; and
- 2.19 sen per unit (@ 2.15 sen taxable and 0.04 sen non-taxable) for the period from 1 October 2019 to 31 December 2019, which is payable on 28 February 2020.

For and on behalf of the Trustee,
MTRUSTEE BERHAD

NURIZAN BINTI JALIL
CHIEF EXECUTIVE OFFICER

Selangor,
Date: 20 February 2020

INDEPENDENT AUDITORS' REPORT

to the Unitholders of IGB REAL ESTATE INVESTMENT TRUST (Established In Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of IGB Real Estate Investment Trust ("the Fund") and its subsidiary ("the Group") give a true and fair view of the financial position of the Group and of the Fund as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Group and of the Fund, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Fund, and the statements of comprehensive income, statements of changes in net asset value and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 64 to 106.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Fund. In particular, we considered where the Directors of the Manager made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Fund, the accounting processes and controls, and the industry in which the Group and the Fund operate.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Fund for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Fund as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p><u>Fair value of investment properties</u></p> <p>As at 31 December 2019, the Group's and the Fund's investment properties, carried at fair value, amounted to RM4.96 billion.</p> <p>The fair values of the Group's and the Fund's investment properties were carried out by an external valuer.</p> <p>We focused on this area due to the magnitude of the balance and the complexities in determining the fair values of the investment properties, which involves significant judgement and estimations.</p>	<p>We evaluated the competence of the external valuer which included consideration of their qualifications, expertise and objectivity.</p> <p>We met with the external valuer to discuss the methodology and assumptions used in the valuation.</p> <p>We performed testing on the rental rates and rental periods used in the valuation, on a sample basis, to satisfy ourselves of the accuracy and completeness of the property information supplied to the external valuer by management. This included agreeing a sample of these data back to the underlying lease agreements.</p>

INDEPENDENT AUDITORS' REPORT

to the Unitholders of IGB REAL ESTATE INVESTMENT TRUST (Established In Malaysia)
(continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p><u>Fair value of investment properties</u> (continued)</p> <p>The existence of significant judgement and estimation uncertainty could result in material misstatement, which is why we have given special audit focus and attention to this area.</p> <p><i>Refer to Note 3(b) (Summary of Significant Accounting Policies – Investment Properties), Note 4 (Critical Accounting Estimates and Judgements) and Note 6 (Investment Properties).</i></p>	<p>We tested the inputs underpinning the valuation, such as reversionary rental, car park income, other income, outgoings and allowance for void, by agreeing them to the underlying lease data or comparing to historical trends. We also assessed the reasonableness of the capitalisation rates used by the valuer, with references to comparable real estate investment trusts. We discussed with and challenged the valuer on certain inputs and estimates.</p> <p>We reviewed the disclosures of the sensitivity analysis on the capitalisation rates on term and reversionary periods and the outgoings, underpinning the valuation.</p> <p>Based on the above procedures performed, we did not identify any material exceptions.</p>

Information other than the financial statements and auditors' report thereon

The Directors of the Manager are responsible for the other information. The other information comprises the Corporate Information, Corporate Overview, Business Review and Governance Sections; the Manager's Report and the Trustee's Report, but does not include the financial statements of the Group and the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Fund or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors of the Manager for the financial statements

The Directors of the Manager are responsible for the preparation of the financial statements of the Group and of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors of the Manager are also responsible for such internal control as the Directors of the Manager determine is necessary to enable the preparation of financial statements of the Group and of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Fund, the Directors of the Manager are responsible for assessing the Group's and the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors of the Manager either intend to liquidate the Group or the Fund or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

to the Unitholders of IGB REAL ESTATE INVESTMENT TRUST (Established In Malaysia)
(continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Fund's internal controls.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Manager.
- (d) Conclude on the appropriateness of the Directors of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Fund to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Fund, including the disclosures, and whether the financial statements of the Group and of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors of the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors of the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors of the Manager, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Fund for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the unitholders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

GAN WEE FONG
03253/01/2021 J
Chartered Accountant

Kuala Lumpur
20 February 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 DECEMBER 2019

		Group		Fund	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Non-current assets					
Plant and equipment	5	5,655	7,964	5,655	7,964
Investment properties	6	4,960,000	4,960,000	4,960,000	4,960,000
Investment in subsidiary	7	-	-	- *	-
Total non-current assets		4,965,655	4,967,964	4,965,655	4,967,964
Current assets					
Trade and other receivables	8	29,787	27,879	58,240	55,371
Cash and bank balances	9	225,509	207,123	197,056	179,631
Total current assets		255,296	235,002	255,296	235,002
Total assets		5,220,951	5,202,966	5,220,951	5,202,966
Financed by					
Unitholders' fund					
Unitholders' capital	10	4,462,484	4,436,366	4,462,484	4,436,366
Accumulated losses		(678,521)	(669,675)	(678,521)	(669,675)
Total unitholders' fund		3,783,963	3,766,691	3,783,963	3,766,691
Non-current liabilities					
Borrowings	11	1,199,285	1,199,025	-	-
Trade and other payables	12	-	-	1,199,285	1,199,025
Total non-current liabilities		1,199,285	1,199,025	1,199,285	1,199,025
Current liabilities					
Borrowings	11	14,900	14,900	-	-
Trade and other payables	12	222,803	222,350	237,703	237,250
Total current liabilities		237,703	237,250	237,703	237,250
Total liabilities		1,436,988	1,436,275	1,436,988	1,436,275
Total unitholders' fund and liabilities		5,220,951	5,202,966	5,220,951	5,202,966
Net asset value ("NAV")					
- before income distribution		4,108,669	4,091,658	4,108,669	4,091,658
- after income distribution		3,783,963	3,766,691	3,783,963	3,766,691
Number of units in circulation ('000 units)	10	3,548,828	3,534,810	3,548,828	3,534,810
NAV per unit (RM)					
- before income distribution		1.1578	1.1575	1.1578	1.1575
- after income distribution		1.0663	1.0656	1.0663	1.0656

* Denotes RM2 share capital in IGB REIT Capital Sdn Bhd

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 DECEMBER 2019

	Note	Group and Fund	
		2019 RM'000	2018 RM'000
Gross rental income		401,441	388,776
Revenue from contracts with customers		150,691	146,913
Gross revenue	13	552,132	535,689
Utilities expenses		(49,502)	(48,054)
Maintenance expenses		(26,320)	(25,319)
Quit rent and assessment		(15,024)	(15,024)
Reimbursement costs	14	(50,057)	(48,669)
Other operating expenses/upgrades		(12,443)	(12,373)
Property operating expenses		(153,346)	(149,439)
Net property income		398,786	386,250
Changes in fair value on investment properties		-	30,000
Interest income	13	7,128	6,756
Net investment income		405,914	423,006
Manager's management fees	15	(35,499)	(34,680)
Trustees' fees		(320)	(320)
Valuation fees		(117)	(312)
Other trust expenses		(1,058)	(881)
Finance costs	16	(53,060)	(53,060)
Profit before taxation		315,860	333,753
Taxation	17	-	-
Profit after taxation		315,860	333,753
Other comprehensive income, net of tax		-	-
Total comprehensive income attributable to unitholders		315,860	333,753
Profit after taxation is made up as follows:-			
Realised		315,860	303,753
Unrealised		-	30,000
		315,860	333,753
Basic earnings per unit (sen)	18	8.91	9.45
Diluted earnings per unit (sen)	18	8.91	9.45
Total comprehensive income		315,860	333,753
Distribution adjustments	19	25,994	7,677
Distributable income		341,854	341,430
Distribution per unit (sen)	19	9.16	9.19

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN NET ASSET VALUE

For the Financial Year Ended 31 DECEMBER 2019

	Note	Unitholders' capital RM'000	Accumulated losses* RM'000	Total unitholders' funds RM'000
Group and Fund				
As at 1 January 2019		4,436,366	(669,675)	3,766,691
Total comprehensive income for the year attributable to unitholders		-	315,860	315,860
Distribution to unitholders	19	-	(324,706)	(324,706)
Net total comprehensive loss for the year attributable to unitholders		-	(8,846)	(8,846)
Unitholders' transactions				
Issue of new Units				
- Manager's management fees paid in Units	10	26,118	-	26,118
Increase in net assets resulting from unitholders' transactions		26,118	-	26,118
As at 31 December 2019		4,462,484	(678,521)	3,783,963
As at 1 January 2018		4,401,760	(678,461)	3,723,299
Total comprehensive income for the year attributable to unitholders		-	333,753	333,753
Distribution to unitholders	19	-	(324,967)	(324,967)
Net total comprehensive income for the year attributable to unitholders		-	8,786	8,786
Unitholders' transactions				
Issue of new Units				
- Manager's management fees paid in Units	10	34,606	-	34,606
Increase in net assets resulting from unitholders' transactions		34,606	-	34,606
As at 31 December 2018		4,436,366	(669,675)	3,766,691

* IGB REIT adopted predecessor accounting as its accounting policy to account for business combinations under common control on 21 September 2012. In accordance with this policy, the difference between the fair value of the Units issued as consideration and the aggregate carrying amounts of the assets and liabilities acquired as of the date of the business combination is included in equity as accumulated losses.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 DECEMBER 2019

		Group		Fund	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit before taxation		315,860	333,753	315,860	333,753
<i>Adjustments for:-</i>					
Changes in fair value on investment properties	6	-	(30,000)	-	(30,000)
Manager's management fee payable in Units	15	35,499	34,680	35,499	34,680
Finance costs		53,060	53,060	53,060	53,060
Interest income		(7,128)	(6,756)	(7,128)	(6,756)
Movement of loss allowance of trade receivables		(211)	(453)	(211)	(453)
Depreciation of plant and equipment		2,660	2,737	2,660	2,737
Plant and equipment written-off		16	99	16	99
Gain on disposal of plant and equipment		(1)	-	(1)	-
Operating income before changes in working capital		399,755	387,120	399,755	387,120
Net change in trade and other receivables		(1,488)	(3,170)	(1,464)	(3,417)
Net change in trade and other payables		(5,781)	(142)	(5,781)	(142)
Net cash generated from operating activities		392,486	383,808	392,510	383,561
Cash flows from investing activities					
Purchase of plant and equipment		(367)	(580)	(367)	(580)
Proceeds from disposal of plant and equipment		1	-	1	-
Interest received		6,919	7,800	5,934	6,769
Movement in fixed deposits with maturity of more than 3 months		30	147,299	-	147,300
Movement in pledged deposit		(960)	(1,277)	-	-
Net cash generated from investing activities		5,623	153,242	5,568	153,489
Cash flows from financing activities					
Interest paid		(52,800)	(52,800)	(52,800)	(52,800)
Income distribution paid to unitholders		(327,853)	(416,313)	(327,853)	(416,313)
Net cash used in financing activities		(380,653)	(469,113)	(380,653)	(469,113)
Net increase in cash and cash equivalents		17,456	67,937	17,425	67,937
Cash and cash equivalents at beginning of the year		179,632	111,695	179,631	111,694
Cash and cash equivalents at end of the year	9	197,088	179,632	197,056	179,631

Details of the reconciliation of liabilities arising from financing activities is disclosed in Note 9.

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL

(A) Background

IGB Real Estate Investment Trust ("IGB REIT" or "Fund") is a Malaysia-domiciled real estate investment trust established on 25 July 2012 pursuant to the deed of trust dated 18 July 2012, as amended by the first amending and restating deed dated 25 October 2018 ("Deed") between the Manager and MTrustee Berhad ("Trustee"), listed on Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 21 September 2012 and regulated by the Securities Commission Act 1993, the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts ("REIT Guidelines"), the Listing Requirements of Bursa Securities, the Rules of Bursa Malaysia Depository ("Depository") and taxation laws and rulings. IGB REIT will continue its operations until such time as determined by the Manager and the Trustee as provided under the provisions of Clause 27 of the Deed. The addresses of the Manager's registered office and principal place of business are as follows:-

Registered office

Level 32, The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Principal place of business

Mid Valley Megamall and The Gardens Mall
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

The principal investment policy of IGB REIT is to invest, directly and indirectly, in a diversified portfolio of income producing real estate used primarily for retail purposes in Malaysia and overseas as well as real estate related assets. Real estate used primarily for retail purposes would include retail properties and mixed used development with a retail component. The principal activity of the subsidiary, incorporated in Malaysia, is disclosed in Note 7 to the financial statements.

The consolidated financial statements comprise the Fund and its subsidiary ("Group").

The Manager's key objective is to provide unitholders with regular and stable distributions, sustainable long term IGB REIT's units ("Unit") price and distributable income and capital growth, while maintaining an appropriate capital structure.

The Manager regards IGB Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Securities, as the holding company.

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution by the Directors of the Manager on 20 February 2020.

(B) Fee Structure

IGB REIT has entered into service agreements in relation to the management of IGB REIT and its property operations. The fee structures are as follows:-

(a) Property management fees

The property manager, Chartwell ITAC International Sdn Bhd, is entitled to property management fee of RM20,000 per month (excluding sales and service tax). In addition, the property manager is also entitled to full disbursement of costs and expenses properly incurred in the operation, maintenance, management and marketing of the properties held by IGB REIT ("Permitted Expenses") as well as fees and reimbursements for Permitted Expenses payable to its service providers.

(b) Manager's management fees

Pursuant to the Deed, the Manager is entitled to receive the following fees from IGB REIT, in the forms of cash, new Units or a combination thereof at the election of the Management Company in its sole discretion:-

- i) a base fee ("Base Fee") of up to 1.0% per annum of the total asset value of IGB REIT (excluding cash and bank balances which are held in non-interest bearing accounts).
- ii) a performance fee ("Performance Fee") of up to 5.0% per annum of net property income in the relevant financial year.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

1 GENERAL (continued)

(B) Fee Structure (continued)

(b) Manager's management fees (continued)

- iii) an acquisition fee of 1.0% of the transaction value (being total purchase consideration) of any real estate and real estate-related assets directly or indirectly acquired from time to time by the Trustee or one or more special purpose vehicle ("SPV") on behalf of IGB REIT pro-rated, if applicable, to the proportion of IGB REIT's interest.

In the case of acquisition of SPVs or holding entities which holds real estate, 1.0% of the underlying value (as determined by an independent valuer appointed by the Trustee) of any Real Estate (which are directly or indirectly held through one or more SPVs of IGB REIT) pro-rated, if applicable, to the proportion of IGB REIT's interest.

Any payment to third party agents or brokers in connection with the acquisition of any real estate and real estate-related assets for IGB REIT shall not be paid by the Manager out of the acquisition fee received or to be received by the Manager (but shall be borne by IGB REIT).

For the avoidance of doubt, no acquisition fee is payable with respect to acquisition of the subject properties in connection with the listing of IGB REIT but acquisition fee is payable with respect to all other transactions (which includes related party and non-related party transactions), including acquisitions from the sponsor.

- iv) a divestment fee of 0.5% of the transaction value (being total sale consideration) of any real estate and real estate-related assets directly or indirectly sold or divested from time to time by the Trustee or one or more SPVs on behalf of IGB REIT pro-rated, if applicable, to the proportion of IGB REIT's interest.

In the case of divestment of SPVs or holding entities which holds real estate, 0.5% of the underlying value (as determined by an independent valuer appointed by the Trustee) of any real estate (which are directly or indirectly held through one or more SPVs of IGB REIT) pro-rated, if applicable, to the proportion of IGB REIT's interest.

Any payment to third party agents or brokers in connection with the sale or divestment of any real estate and real estate-related assets for IGB REIT shall not be paid by the Manager out of the divestment fee received or to be received by the Manager (but shall be borne by IGB REIT).

For the avoidance of doubt, the divestment fee is payable with respect to all transactions (which includes related party and non-related party transactions), including divestments to the sponsor, as well as for compulsory acquisitions.

The payment of the Manager's management fee in the form of new Units will be in accordance with the following formula:-

$$\text{New Units to be issued as payment of the Manager's management fee} = \frac{\text{Manager's management fee payable in Units}}{\text{Market Price}}$$

For this purpose, "Market Price" means the volume weighted average market price of the Units for the last 5 market days preceding the following events:-

- (i) in respect of the Base Fee and Performance Fee, the announcement of the relevant quarterly financial reports; or
- (ii) in respect of the acquisition fee and divestment fee, the completion of the relevant acquisition/divestment,

(each a "Trigger Event").

With reference to any book closing date, where the Trigger Event is before but the issuance of the new Units relating to such Trigger Event is after the said book closing date, the Market Price will be further adjusted for the entitlement relating to such book closing date.

The Manager will make an immediate announcement to Bursa Securities disclosing the number of new Units to be issued and the issue price of the new Units when new Units are issued as payment for management fee. Payment of the management fees in Units shall also be subject to IGB REIT complying with the public spread requirements stated in the Listing Requirements of Bursa Securities and there being no adverse implications under Malaysian Code on Take-Overs and Mergers 2016.

(c) Trustee's fees

In accordance to the Deed, an annual trustee fee of up to 0.03% per annum of NAV of IGB REIT is to be paid to Trustee.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

2 BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Fund have been prepared in accordance with the provisions of the Deed, Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards.

The financial statements have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors of the Manager to exercise their judgement in the process of applying accounting policies. Although these estimates and judgement are based on the Directors of the Manager's best knowledge of current events and actions, actual results could differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(b) Standards and amendments to published standards and interpretations that are effective

The Group and the Fund have applied the following standards and amendments for the first time for the financial year beginning on 1 January 2019:-

- MFRS 16 'Leases'
- Annual Improvements to MFRSs 2015 – 2017 Cycle

The Group and the Fund have applied MFRS 16 'Leases' for the first time in the 2019 financial statements with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method.

The Group and the Fund, principally as a lessor, continue to classify the leases as operating leases. From a lessee perspective, the impact of leases entered by the Group and the Fund is immaterial as they comprise mainly of short-term leases and/or leases for which the underlying assets are of low value.

The adoption of new standards and amendments to published standards and interpretations above did not have any material impact on the financial statements of the Group and of the Fund in the current period or any prior period.

(c) Standards and amendments that have been issued but not yet effective

The new standards and amendments to standards and interpretations that are effective for financial year beginning after 1 January 2020 and are applicable to the Group and the Fund are as follows:-

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered as a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

The amendments shall be applied prospectively.

The Group and the Fund will continue to assess the potential impact, if any, of new standards and amendments on the financial statements and expect the assessment to be completed prior to effective date of such standards and amendments.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the period presented in these financial statements.

(a) Consolidation

(i) Business combination under common control

IGB REIT applied predecessor accounting to account for business combinations under common control on 21 September 2012, i.e. combination involving entities or businesses under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the holding company. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (at the date of the transaction) of the acquired business is recorded as an adjustment to retained earnings. No additional goodwill is recognised. Acquisition-related costs are expensed as incurred. The acquired business' results and the related balance sheet items are recognised prospectively from the date on which the business combination between entities under common control occurred.

(ii) Subsidiary

Subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiary is fully consolidated from the date on which control is transferred to the Group. It is deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and fair value of previous equity interest measured is less than the fair value of the identifiable net assets of the acquiree, the difference is recognised directly in the statement of comprehensive income.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and any gains or losses arising from such re-measurement are recognised in the statement of comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 "Financial Instruments" in the statement of comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Investment in subsidiary

In the Fund's separate financial statements, investment in subsidiary is carried at cost less accumulated impairment losses. On disposal of investment in subsidiary, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the statement of comprehensive income.

The amounts due from subsidiary of which the Fund does not expect repayment in the foreseeable future are considered as part of the Fund's investment in the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investment properties

Investment properties are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group and the Fund.

Investment properties are measured initially at cost, including related transaction costs and borrowing costs if the investment property meets the definition of qualifying asset.

After initial recognition, investment properties are carried at fair value. Fair value is based on valuation using an income approach, where cash flows projections are capitalised using a capitalisation rate and takes into account the unexpired period, yield and outgoings, where applicable. Valuations are performed as of the financial position date by registered valuers who hold recognised and relevant professional qualifications and have relevant experience in valuing the investment properties.

The fair value of investment properties reflects, among others, rental income from current leases and other assumptions that market participants would make when pricing the investment properties under current market conditions.

Subsequent expenditure is recognised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the Fund, and the cost of the item can be measured reliably. All other repair, maintenance and upgrade costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair value are recognised in the statement of comprehensive income. Investment properties are derecognised either when they have been disposed or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal.

Where the Group and the Fund dispose of an investment property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of comprehensive income as a net gain or loss from fair value adjustment on such investment property.

(c) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Cost of plant and equipment includes purchase price and any direct attributable costs. Cost includes the cost of replacing part of an existing plant and equipment at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of the plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Fund, and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on capital work-in-progress commences when the assets are ready for their intended use. Plant and equipment are depreciated on a straight-line basis to allocate the cost of the assets to their residual values over their estimated useful lives, summarised as follows:-

Motor vehicles	20%
Furniture and fittings	12.5%
Equipment	12.5%
Information technology equipment	33 1/3%
Plant and machinery	10%

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period. The assessment of expected residual values and estimated useful lives of assets is carried out on an annual basis.

At the end of the reporting period, the Group and the Fund assess whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Please refer to accounting policy on impairment of non-financial assets (Note 3(h)).

Gains and losses on disposals are determined by comparing net disposal proceeds with carrying amount and are included in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial assets

(i) Classification

The Group and the Fund classify financial assets at amortised cost. The classification depends on the Group and the Fund business model for managing the financial assets and the contracted terms of the cash flows.

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Fund commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Fund have transferred substantially all the risks and rewards of ownership.

(iii) Initial measurement

At initial recognition, the Group and the Fund measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the statement of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

(iv) Subsequent measurement – gain or loss

Subsequent measurement of financial asset depends on the Group's and the Fund's business model for managing the asset and the cash flow characteristics of the asset.

The Group and the Fund classify financial assets at amortised cost.

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising from derecognition is recognised directly in the statement of comprehensive income and presented in other gain or loss together with foreign exchange gain and loss. Impairment losses are presented as separate line item in the statement of comprehensive income.

(v) Subsequent measurement – Impairment

The Group and the Fund assess on a forward looking basis the expected credit loss ("ECL") associated with financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Trade and other receivables are subject to the ECL model.

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9 "Financial Instruments", the impairment loss was immaterial.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Fund expect to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Simplified approach for trade receivables and intercompany balances

The Group and the Fund apply the MFRS 9 "Financial Instruments" simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Note 24.1(b) sets out measurement details of ECL.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial assets (continued)

(v) Subsequent measurement – Impairment (continued)

General 3-stage approach for other receivables, deposits and non-trade intercompany balances

The Group and the Fund measure ECL through loss allowance at an amount equal to twelve (12) month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 24.1(b) sets out measurement details of ECL.

Significant increase in credit risk

The Group and the Fund consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Fund compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Group and the Fund take into account the available, reasonable and supportable forward-looking information in the measurement of ECL.

The following indicators are incorporated:-

- internal credit rating and/or external credit rating (if available);
- actual or expected significant changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; or
- significant changes in the expected credit performance and payment behaviour of the debtor, including changes in the payment status of debtor in the group.

Definition of default and credit-impaired financial assets

The Group and the Fund define a financial instrument as default, which is aligned with the definition of credit-impaired, when the financial asset meets one or more of the following criteria:-

Quantitative criteria

The Group and the Fund define a financial instrument as default, when the counterparty fails to make contractual payment within 90 days when fall due and/or when legal action is taken against the counterparty.

Qualitative criteria

The debtor meets unlikelihood to pay criteria, which indicates the debtor is in a financial difficulty or it is becoming probable that the debtor will enter bankruptcy, financial restructuring or will become insolvent.

Financial instruments that are credit-impaired were assessed on individual basis.

Write-off – trade receivables and intercompany balances

Trade receivables and intercompany balances are written off when there is no reasonable expectation of recovery. Indicators of no reasonable expectation of recovery include, amongst others, failure of a debtor to engage in a repayment or settlement plan with the Group and the Fund, and/or legal action is taken against the debtor.

Impairment losses on trade receivables and intercompany balances are presented as net impairment losses within the net property income. Subsequent recoveries of amounts previously written off are credited within the net property income.

Write-off – other receivables, deposits and non-trade intercompany balance

The Group and the Fund write off financial assets, in whole or in part, when they have exhausted all practical recovery efforts and have concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Offsetting financial instruments

Financial assets and liabilities can be offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(f) Trade and other receivables

Trade receivables are amounts due from customers and tenants for services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Group and the Fund. If collection is expected in one (1) year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include transfer taxes and duties.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less impairment allowance.

(g) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers, vendors or contractors. Trade payables are classified as current liabilities if payment is due within one (1) year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities. Deposits received from tenants are classified as current liabilities.

Trade payables, deposits received from tenants and other payables are recognised initially at fair value, net of transaction costs incurred, which include transfer taxes and duties, if applicable, and subsequently measured at amortised cost using the effective interest method.

(h) Impairment of non-financial assets

Plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The impairment loss is charged to the statement of comprehensive income during the period in which they are incurred and any subsequent increase in recoverable amount is recognised in the statement of comprehensive income during the period in which they are incurred.

(i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, deposits held at call with licensed financial institutions, other short term and highly liquid investments with original maturities of three (3) months or less, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Bank overdrafts, if any, are included within borrowings in current liabilities in the statement of financial position.

(j) Unitholders' capital

Unitholders' contributions are classified as equity when there is no obligation to transfer cash or other assets, nor they are redeemable at the unitholders' option. Any consideration received or distributions paid is added or deducted directly from equity. Incremental external costs directly attributable to the issue of new Units are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of borrowings. Borrowings are classified as current liabilities unless the Group and the Fund have an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting date.

Borrowings costs directly attributable to the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in statement of comprehensive income in the period in which they are incurred.

Fees paid on the establishment of borrowings are recognised as transaction costs of the borrowings to the extent that it is probable that some or all of the borrowings will be issued. In this case, the fees are deferred until the issuance occurs. To the extent there is no evidence that it is probable that some or all of the borrowings will be issued, the fees are capitalised as a prepayment for liquidity and amortised over the period of the borrowings.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to other party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of comprehensive income.

(l) Revenue/income recognition

Rental income on operating leases

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset.

Rental income on operating leases is recognised over the term of the lease on a straight-line basis. Rental income is shown net of rebates and discounts. Rental income includes base rent, percentage rent and other rent related income from tenants. Base rent is recognised on a straight-line basis over the lease term. Percentage rent is recognised based on sales reported by tenants. When the Group and the Fund provide incentives or rebates to the tenants, the cost of incentives or rebates is recognised over the lease term, on a straight-line basis, as a reduction of rental income. Initial direct cost incurred by the Group and the Fund in negotiating and arranging an operating lease is recognised as an asset and amortised over the lease term on the same basis as the rental income.

Revenue from contracts with customers

Revenue which represents income from the Group's and the Fund's principal activities within the ordinary course of business and is recognised by reference to each distinct performance obligation in the contract with customer when or as the Group and the Fund transfer the control of the goods or services in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

A contract with customer exists when the contract has commercial substance, the Group and the Fund, and their customer have approved the contract and intend to perform their respective obligations, the Group's and the Fund's, and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group and the Fund, will collect the consideration to which they will be entitled to in exchange of such goods or services.

Specific revenue recognition criteria for each of the Group's and the Fund's principal business activities are as described below:-

(i) Utilities recoveries

Recoveries from utilities are recognised upon supply, distribution and billing of utilities to the customer and the customer receives and consumes the utilities.

(ii) Advertising and promotional income

Advertising and promotional income is recognised in the accounting period in which the services are rendered and the customer receives and consumes the economic benefits provided by the Group and the Fund, and the Group and the Fund have a present right to receive payment for such services.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Revenue/income recognition (continued)

Revenue from contracts with customers (continued)

(iii) Car park income and other income

Car park income and other income are recognised upon services being rendered.

(iv) Service charge

Service charge is recognised upon services being rendered to the tenants over the lease term.

Interest income

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period of maturity, unless collectability is in doubt, in which case it is recognised on a cash receipt basis.

(m) Manager's management fees

Manager's management fees are recognised in statement of comprehensive income in the period in which they are incurred. If, the payment of the Manager's management fees is in the form of new Units, such payment is determined by reference to the market price of the Units as set out in Note 1(B)(b).

(n) Income tax

Tax is recognised in statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3(b), the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

(o) Leases

Accounting policies applied till 31 December 2018

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on the straight-line basis during the lease period in which they are incurred.

Accounting policies applied from 1 January 2019

(a) Accounting by lessee

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use (i.e. the commencement date).

Contracts may contain both lease and non-lease components. Consideration in the contract is allocated to the lease and non-lease components based on their relative standalone prices.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Leases (continued)

Lease term

In determining the lease term, facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option are considered. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The lease term is reassessed upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Fund and affect whether the Group and the Fund are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Fund are reasonably certain to exercise a purchase option, the ROU assets are depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase and extension options if it is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Fund exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Fund, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in the statement of comprehensive income in the period in which the condition that triggers those payments occurs.

Lease liabilities are presented as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of comprehensive income.

Short term leases and leases of low value assets

Short-term leases are leases with a lease term of twelve (12) months or less. Payments associated with short-term leases and low-value assets are recognised on a straight-line basis as an expense in the statement of comprehensive income.

(b) Accounting by lessor

As a lessor, the Group and the Fund determine at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group and the Fund make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group and the Fund consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Leases (continued)

Finance leases

The Group and the Fund classify a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group and the Fund derecognise the underlying asset and recognise a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investment is subject to impairment under MFRS 9 "Financial Instruments". In addition, the Group and the Fund review regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group and the Fund revise the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

Operating leases

The Group and the Fund classify a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group and the Fund recognise lease payments received under operating lease as lease income on a straight-line basis over the lease term.

When assets are leased out under an operating lease, the asset is included in the lessor's statement of financial position based on the nature of the asset.

Rental income on operating leases is recognised over the term of the lease on a straight-line basis. Rental income is shown net of rebates and discounts. Rental income includes base rent, percentage rent and other rent related income from tenants. Base rent is recognised on a straight-line basis over the lease term. Percentage rent is recognised based on sales reported by tenants. When the Group and the Fund provide incentives or rebates to the tenants, the cost of incentives or rebates is recognised over the lease term, on a straight-line basis, as a reduction of rental income. Initial direct cost incurred by the Group and the Fund in negotiating and arranging an operating lease is recognised as an asset and amortised over the lease term on the same basis as the rental income.

Separating lease and non-lease components

If an arrangement contains lease and non-lease components, the Group and the Fund allocate the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15 "Revenue from Contracts with Customers".

(p) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group and the Fund operate ("functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Group's and the Fund's functional and presentation currency.

(q) Earnings per unit

The earnings per Unit ("EPU") are presented on basic and diluted format.

Basic EPU is calculated by dividing the total comprehensive income attributable to unitholders by the weighted average number of Units outstanding during the period.

Diluted EPU is determined by adjusting the total comprehensive income attributable to unitholders against the weighted average number of Units outstanding adjusted for the effects of all dilutive potential units.

(r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision makers, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions for the Group and the Fund, have been identified as the Directors of the Manager.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Net asset value ("NAV")

NAV is the value of the total assets less the value of the total liabilities.

(t) Distribution of income

Distribution of income should only be made from realised gains or realised income in accordance with the REIT Guidelines.

Distribution of income should be made after the Manager has taken into consideration the total returns for the period, income for the period, cash flow for distribution, stability and sustainability of income and the investment objective and distribution policy of IGB REIT. Liability is recognised for the amount of any distribution of income not distributed at the end of the reporting period.

Distribution adjustments are disclosed in Note 19.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors of the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group and the Fund make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Principal assumptions for estimation of fair value of investment properties

The principal assumptions underlying estimation of fair value of investment properties are those related to term rental, reversionary rental, car park income, other income, outgoings (including asset enhancement initiatives), capitalisation rate and allowance for void.

Investment properties are stated at fair value based on valuations performed by One Asia Property Consultants (KL) Sdn Bhd ("Valuer"), an independent registered valuer who holds a recognised relevant professional qualification and has relevant experience in valuing the investment properties.

The valuations are compared with actual market yield data, actual transactions and those reported by the market, when available. Assumptions used are mainly based on market conditions existing at each reporting date.

Sensitivity analysis on fair value of investment properties as valued by the Valuer is disclosed in Note 6.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

5 PLANT AND EQUIPMENT

Group and Fund	Motor vehicles RM'000	Furniture and fittings RM'000	Equipment RM'000	Information technology equipment RM'000	Plant and machinery RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
As at 1 January 2019	691	2,695	16,332	2,255	28	123	22,124
Additions	25	85	84	173	-	-	367
Disposals	(3)	-	-	(3)	-	-	(6)
Write-offs	(1)	(28)	(51)	(18)	-	-	(98)
Reclassification	-	-	118	5	-	(123)	-
As at 31 December 2019	712	2,752	16,483	2,412	28	-	22,387
Accumulated depreciation							
As at 1 January 2019	629	1,837	9,788	1,889	17	-	14,160
Depreciation charge for the financial year	41	344	2,043	229	3	-	2,660
Disposals	(3)	-	-	(3)	-	-	(6)
Write-offs	(1)	(22)	(41)	(18)	-	-	(82)
As at 31 December 2019	666	2,159	11,790	2,097	20	-	16,732
Carrying amounts							
As at 31 December 2019	46	593	4,693	315	8	-	5,655
Group and Fund	Motor vehicles RM'000	Furniture and fittings RM'000	Equipment RM'000	Information technology equipment RM'000	Plant and machinery RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
As at 1 January 2018	691	2,692	15,923	2,088	28	457	21,879
Additions	-	134	138	185	-	123	580
Disposals	*-	-	-	-	-	-	*-
Write-offs	-	(131)	(186)	(18)	-	-	(335)
Reclassification	-	-	457	-	-	(457)	-
As at 31 December 2018	691	2,695	16,332	2,255	28	123	22,124
Accumulated depreciation							
As at 1 January 2018	562	1,597	7,804	1,682	14	-	11,659
Depreciation charge for the financial year	67	337	2,108	222	3	-	2,737
Disposals	*-	-	-	-	-	-	*-
Write-offs	-	(97)	(124)	(15)	-	-	(236)
As at 31 December 2018	629	1,837	9,788	1,889	17	-	14,160
Carrying amounts							
As at 31 December 2018	62	858	6,544	366	11	123	7,964

* Amount below RM1,000

NOTES TO THE FINANCIAL STATEMENTS

(continued)

6 INVESTMENT PROPERTIES

	Group and Fund	
	2019	2018
	RM'000	RM'000
As at 1 January	4,960,000	4,930,000
Fair value gain	-	30,000
As at 31 December	4,960,000	4,960,000

On 20 September 2012, IGB REIT acquired the investment properties of which the consideration was settled in cash for RM1,200 million and issuance of 3,400 million units in IGB REIT. The purchase considerations were as follows:-

Investment Properties	Purchase Consideration satisfied in		
	Units RM'million	Cash RM'million	Total RM'million
Mid Valley Megamall ("MVM")	3,413	710	4,123
The Gardens Mall ("TGM")	837	490	1,327
Total	4,250	1,200	5,450

The title deed of the land for MVM is currently being held in trust by a related company.

MVM is charged as a security for borrowings as disclosed in Note 11.

Investment properties as at 31 December 2019 and 31 December 2018 are stated at fair value based on valuations performed by an independent registered valuer. These valuations were reviewed by the Manager and approved by the Board of Directors of the Manager as the determination of fair value using the income approach involves the use of certain estimates that reflect the current market conditions.

Based on the valuation reports dated 6 January 2020 issued by the Valuer, the fair values of MVM and TGM as at 31 December 2019 were RM3.665 billion (2018: RM3.665 billion) and RM1.295 billion (2018: RM1.295 billion) respectively.

Fair value is determined based on income approach method using Level 3 inputs (defined as unobservable inputs for asset or liability) in the fair value hierarchy of MFRS 13 'Fair Value Measurement'. Under the income approach, the fair value of the investment properties is derived from an estimate of the market rental which the investment properties can reasonably be let for. Rental evidence may be obtained from actual passing rents commanded by the investment properties if they are tenanted. Outgoings, such as quit rent and assessment, utilities costs, reimbursable manpower costs, repair and maintenance, insurance premium, asset enhancement initiatives, upgrades expenses as well as management expenses, are then deducted from the rental income. Thereafter, the net annual rental income is capitalised at an appropriate current market yield to arrive at its fair value. Changes in fair value are recognised in the statement of comprehensive income during the period in which they are reviewed.

The Level 3 inputs or unobservable inputs include:-

Term rental	- the expected rental that the investment properties are expected to achieve and is derived from the current passing rental, (including revision upon renewal of tenancies during the year which is part of passing rental);
Reversionary rental	- the expected rental that the investment properties are expected to achieve upon expiry of term rental;
Car park income	- the rental on car park bays;
Other income	- mainly percentage rent and advertising income;
Outgoings	- mainly quit rent and assessment, utilities costs, reimbursable manpower costs, repair and maintenance, insurance premium, asset enhancement initiatives/upgrades expense and management expenses;
Capitalisation rate	- based on actual location, size and condition of the investment properties and taking into account market data at the valuation date based on the valuers' knowledge of the factors specific to the investment properties; and
Allowance for void	- allowance provided for vacancy periods.

There has been no change to the valuation techniques used during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

6 INVESTMENT PROPERTIES (continued)

The fair value measurements using Level 3 inputs as at 31 December 2019 were as follows:-

Group and Fund

Valuation technique	Fair value RM'000	Parameters					Sensitivity analysis on fair value measurements*1			
		Capitalisation rates					Allowance for void	Impact of lower rate	Impact of higher rate	Impact of higher outgoings
		Term period %	Reversionary period %	Car park income %	Other income*2 %	Outgoings RM psf				
MVM	Income approach	3,665,000	5.60-6.60	6.10-7.10	7.00	7.00-8.75	3.80	3.00	103,700	(96,300)
TGM	Income approach	1,295,000	5.60-6.60	6.10-7.10	7.00	7.00-8.75	4.60	3.00	34,300	(30,600)
		<u>4,960,000</u>							<u>138,000</u>	<u>(126,900)</u>

Notes:-

*1 Changes in capitalisation rates on term and reversionary periods by 25 basis points and outgoings per square feet by RM0.20 on existing unexpired contractual terms are used as these are the key inputs subjected to changes in market conditions.

*2 Includes percentage rent.

The fair value measurements using Level 3 inputs as at 31 December 2018 were as follows:-

Group and Fund

Valuation technique	Fair value RM'000	Parameters					Sensitivity analysis on fair value measurements*1			
		Capitalisation rates					Allowance for void	Impact of lower rate	Impact of higher rate	Impact of higher outgoings
		Term period %	Reversionary period %	Car park income %	Other income*2 %	Outgoings RM psf				
MVM	Income approach	3,665,000	5.60-6.60	6.10-7.10	7.00	7.00-8.75	3.80	3.00	105,700	(98,800)
TGM	Income approach	1,295,000	5.60-6.60	6.10-7.10	7.00	7.00-8.75	4.60	3.00	34,900	(31,100)
		<u>4,960,000</u>							<u>140,600</u>	<u>(129,900)</u>

Notes:-

*1 Changes in capitalisation rates on term and reversionary periods by 25 basis points and outgoings per square feet by RM0.20 on existing unexpired contractual terms are used as these are the key inputs subjected to changes in market conditions.

*2 Includes percentage rent.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

6 INVESTMENT PROPERTIES (continued)

The investment properties are as follows:-

Group and Fund

	Date of acquisition	Date of valuation	Location	Tenure	Occupancy rates as at 31.12.2019	Fair value as at 31.12.2019	Fair value at acquisition	Percentage of fair value to NAV ^{*2} as at 31.12.2019
					%	RM'000	RM'000	%
MVM	20.09.2012	31.12.2019	Kuala Lumpur	Leasehold ^{*1}	99	3,665,000	3,440,000	96.9
TGM	20.09.2012	31.12.2019	Kuala Lumpur	Leasehold ^{*1}	99	1,295,000	1,160,000	34.2
						4,960,000	4,600,000	

	Date of acquisition	Date of valuation	Location	Tenure	Occupancy rates as at 31.12.2018	Fair value as at 31.12.2018	Fair value at acquisition	Percentage of fair value to NAV ^{*2} as at 31.12.2018
					%	RM'000	RM'000	%
MVM	20.09.2012	31.12.2018	Kuala Lumpur	Leasehold ^{*1}	99	3,665,000	3,440,000	97.3
TGM	20.09.2012	31.12.2018	Kuala Lumpur	Leasehold ^{*1}	97	1,295,000	1,160,000	34.4
						4,960,000	4,600,000	

Notes:-

^{*1} The lease has a period of 99 years expiring on 6 June 2103.

^{*2} Based on NAV after income distribution.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

7 INVESTMENT IN SUBSIDIARY

	Fund	
	2019	2018
	RM'000	RM'000
At cost		
Unquoted shares	-*	-*

* Denotes RM2

Name of company	Principal activities	Place of incorporation	Group's effective interest (%)	
			2019	2018
IGB REIT Capital Sdn Bhd	A special purpose vehicle to raise financing via the issuance of medium term notes pursuant to a medium term notes programme	Malaysia	100	100

8 TRADE AND OTHER RECEIVABLES

	Group		Fund	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Trade receivables	3,701	3,387	3,701	3,387
Amount owing by holding company	18	-	18	-
Amounts owing by related companies	1,171	694	1,171	694
Less: Loss allowance	(2,432)	(2,643)	(2,432)	(2,643)
Trade receivables – net	2,458	1,438	2,458	1,438
Accrued billings	17,955	17,773	17,955	17,773
	20,413	19,211	20,413	19,211
Other receivables	1,364	583	1,305	548
Deposits	7,555	7,586	7,555	7,586
Amount owing by subsidiary	-	-	28,512	27,527
	8,919	8,169	37,372	35,661
Prepayments	455	499	455	499
	9,374	8,668	37,827	36,160
Total trade and other receivables	29,787	27,879	58,240	55,371

The carrying amounts of trade and other receivables as at 31 December 2019 and 31 December 2018 approximated their fair values. The fair values of trade and other receivables are the discounted amount of the estimated future cash flows expected to be recoverable. Expected cash flows are discounted at current market rates to determine their fair values.

The credit terms of trade receivables were seven (7) days (2018: seven (7) days).

The amounts owing by holding and related companies are trade in nature, unsecured and with credit terms of seven (7) days (2018: seven (7) days).

The amount owing by subsidiary represents advances, mainly to comply with the minimum required balance in Debt Service Reserve Account pursuant to Tranche 1, MTN (Note 11), which are unsecured and carries interest rate at 3.25% (2018: 3.80%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

9 CASH AND CASH EQUIVALENTS

	Group		Fund	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash in hand	623	615	623	615
Bank balances	13,737	14,521	13,733	14,516
Deposits placed with licensed banks	211,149	191,987	182,700	164,500
Cash and bank balances	225,509	207,123	197,056	179,631
Less:-				
Fixed deposits with maturity of more than 3 months	-	(30)	-	-
Pledged deposit	(28,421)	(27,461)	-	-
Cash and cash equivalents	197,088	179,632	197,056	179,631

Bank balances are deposits held at call with banks and earn no interest.

The weighted average effective interest rate of deposits with licensed banks of the Group and the Fund that were effective at the reporting date were 3.22% per annum (2018: 3.63%) and 3.22% per annum (2018: 3.60% per annum) respectively.

Deposits with licensed banks of the Group and the Fund have a weighted average maturity of 55 days (2018: 48 days) and 50 days (2018: 41 days) respectively.

Included in the deposits placed with licensed banks of the Group is pledged deposit of RM28.4 million (2018: RM27.5 million), which is maintained in a Debt Service Reserve Account to cover a minimum of six (6) months interest for borrowings (Note 11).

The reconciliation of liabilities arising from financing activities is as follows:-

Group	Non-current borrowings	Current borrowings	Distribution payable to unitholders	Total
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2019	1,199,025	14,900	80,728	1,294,653
Cash flows:-				
Interest paid	-	(52,800)	-	(52,800)
Income distribution paid to unitholders	-	-	(327,853)	(327,853)
	-	(52,800)	(327,853)	(380,653)
Non-cash changes:-				
Amortisation of transaction costs	260	-	-	260
Accrual for interest	-	52,800	-	52,800
Distribution to unitholders	-	-	324,706	324,706
	260	52,800	324,706	377,766
As at 31 December 2019	1,199,285	14,900	77,581	1,291,766

NOTES TO THE FINANCIAL STATEMENTS

(continued)

9 CASH AND CASH EQUIVALENTS (continued)

The reconciliation of liabilities arising from financing activities is as follows:- (continued)

Group	Non-current borrowings RM'000	Current borrowings RM'000	Distribution payable to unitholders RM'000	Total RM'000
As at 1 January 2018	1,198,765	14,900	172,074	1,385,739
Cash flows:-				
Interest paid	-	(52,800)	-	(52,800)
Income distribution paid to unitholders	-	-	(416,313)	(416,313)
	-	(52,800)	(416,313)	(469,113)
Non-cash changes:-				
Amortisation of transaction costs	260	-	-	260
Accrual for interest	-	52,800	-	52,800
Distribution to unitholders	-	-	324,967	324,967
	260	52,800	324,967	378,027
As at 31 December 2018	1,199,025	14,900	80,728	1,294,653
Fund	Non-current – amount due to subsidiary RM'000	Current – amount due to subsidiary RM'000	Distribution payable to unitholders RM'000	Total RM'000
As at 1 January 2019	1,199,025	14,900	80,728	1,294,653
Cash flows:-				
Interest paid	-	(52,800)	-	(52,800)
Income distribution paid to unitholders	-	-	(327,853)	(327,853)
	-	(52,800)	(327,853)	(380,653)
Non-cash changes:-				
Amortisation of transaction costs	260	-	-	260
Accrual for interest	-	52,800	-	52,800
Accrual for income distribution	-	-	324,706	324,706
	260	52,800	324,706	377,766
As at 31 December 2019	1,199,285	14,900	77,581	1,291,766

NOTES TO THE FINANCIAL STATEMENTS

(continued)

9 CASH AND CASH EQUIVALENTS (continued)

The reconciliation of liabilities arising from financing activities is as follows:- (continued)

Fund	Non-current – amount due to subsidiary RM'000	Current – amount due to subsidiary RM'000	Distribution payable to unitholders RM'000	Total RM'000
As at 1 January 2018	1,198,765	14,900	172,074	1,385,739
Cash flows:-				
Interest paid	-	(52,800)	-	(52,800)
Income distribution paid to unitholders	-	-	(416,313)	(416,313)
	-	(52,800)	(416,313)	(469,113)
Non-cash changes:-				
Amortisation of transaction costs	260	-	-	260
Accrual for interest	-	52,800	-	52,800
Accrual for income distribution	-	-	324,967	324,967
	260	52,800	324,967	378,027
As at 31 December 2018	1,199,025	14,900	80,728	1,294,653

10 UNITHOLDERS' CAPITAL

	Group and Fund			
	2019		2018	
	Number of units '000	Value RM'000	Number of units '000	Value RM'000
Issued and fully paid up:				
At 1 January	3,534,810	4,436,366	3,513,452	4,401,760
Issue of new Units	14,018	26,118	21,358	34,606
As at 31 December	3,548,828	4,462,484	3,534,810	4,436,366

NOTES TO THE FINANCIAL STATEMENTS

(continued)

11 BORROWINGS

	Group	
	2019	2018
	RM'000	RM'000
Current (secured):		
Medium term notes	14,900	14,900
	14,900	14,900
Non-current (secured):		
Medium term notes	1,199,285	1,199,025
	1,199,285	1,199,025
Total	1,214,185	1,213,925

Medium Term Notes ("MTN") Programme of up to RM5.0 billion in nominal value ("MTN Programme")

On 18 August 2017, the Manager announced on the Main Market of Bursa Securities that IGB REIT Capital Sdn Bhd ("IGBRC"), a special purpose vehicle wholly-owned by IGB REIT via MTrustee Berhad (acting in its capacity as trustee for IGB REIT), had lodged a MTN Programme with the SC pursuant to the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC. The MTN Programme has a tenure of twenty (20) years from the date of first issuance of MTN under the MTN Programme.

On 20 September 2017, IGBRC issued the first tranche AAA-rated MTN ("Tranche 1, MTN") amounting to RM1.2 billion which was advanced to the Fund to fully settle the previous Fixed Rate Term Loan facility. The Tranche 1, MTN has a tenure of 7 years ("Legal Maturity") effective from 20 September 2017. For the first 5 years ("Expected Maturity"), the Tranche 1, MTN bears a fixed coupon rate of 4.4% per annum. The RM1.2 billion has to be fully repaid on Expected Maturity, otherwise it will cause a trigger event that will result in the coupon rate to be stepped up to 5.4% per annum for the sixth and seventh years.

The Tranche 1, MTN is secured against, among others, the following:-

- (i) a third party legal assignment of the Trustee's present and future rights, titles, interests and benefits in MVM and under the sale and purchase agreement in relation to MVM. In the event the subdivision of master title is completed and a separate strata title is issued for MVM ("MVM Strata Title"), a third party first legal charge shall be created on MVM Strata Title;
- (ii) a third party legal assignment over all the Trustee's rights, titles, interests and benefits under the proceeds derived from the tenancy/lease agreements in relation to MVM;
- (iii) a third party legal assignment of the Trustee's present and future rights, titles, interests and benefits under all insurance policies in relation to MVM and the Security Trustee (acting for and on behalf of the MTN holders) being named as the co-insured and loss payee of the insurance policies;
- (iv) a third party first ranking legal assignment and charge over the revenue and operating accounts of the Tranche 1, MTN;
- (v) a first party first ranking legal assignment and charge over the debt service reserve account of the Tranche 1, MTN;
- (vi) an irrevocable power of attorney granted by the Trustee in favour of the Security Trustee (acting for and on behalf of the MTN holders) to manage and dispose MVM upon expiry of the remedy period under the terms of the Tranche 1, MTN;
- (vii) a letter of undertaking from the Trustee and the Manager:-
 - (a) to deposit all cash flows generated from MVM into the revenue account; and
 - (b) it shall not declare or make any distributions out of the cash flows from the revenue account to the unitholders if an event of default and/or a trigger event has occurred and is continuing or the financial covenants are not met; and
- (viii) a first party legal assignment over the Tranche 1, MTN's Trustee financing agreement.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

11 BORROWINGS (continued)

The maturity profiles of the borrowings are as follows:-

	<1 year RM'000	1 to 2 years RM'000	2 to 3 years RM'000	>3 years RM'000	Total Carrying Amount RM'000
Group					
As at 31 December 2019					
Tranche 1, MTN	14,900	-	1,199,285	-	1,214,185
	14,900	-	1,199,285	-	1,214,185
As at 31 December 2018					
Tranche 1, MTN	14,900	-	-	1,199,025	1,213,925
	14,900	-	-	1,199,025	1,213,925

The weighted average effective interest rates as at the reporting date are as follows:-

	Group	
	2019	2018
	% per annum	% per annum
Tranche 1, MTN	4.38%	4.38%

12 TRADE AND OTHER PAYABLES

		Group		Fund	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Non-current					
Amount due to subsidiary	a	-	-	1,199,285	1,199,025
Current					
Trade payables	b	10,688	12,340	10,688	12,340
Tenants' deposits	c	101,429	97,640	101,429	97,640
		112,117	109,980	112,117	109,980
Other payables and accrued expenses		10,699	10,829	10,699	10,829
Indirect tax payable		338	360	338	360
Prepaid rental		9,957	8,235	9,957	8,235
Amount due to holding company	d	17	-	17	-
Amount due to subsidiary	a	-	-	14,900	14,900
Amounts due to related companies	d	12,094	12,218	12,094	12,218
Distribution payable to unitholders		77,581	80,728	77,581	80,728
		110,686	112,370	125,586	127,270
Total current trade and other payables		222,803	222,350	237,703	237,250
Total trade and other payables		222,803	222,350	1,436,988	1,436,275

NOTES TO THE FINANCIAL STATEMENTS

(continued)

12 TRADE AND OTHER PAYABLES (continued)

- (a) The amount due to subsidiary represents advances from the issuance of Tranche 1, MTN, which are secured and carries interest rate at 4.40% (2018: 4.40%) per annum, in which the repayment terms mirror the terms stated in Note 11.
- (b) Credit terms for trade payables range from 30 days to 90 days (2018: 30 days to 90 days).
- (c) Tenants' deposits include refundable deposits received from tenants for tenancy related agreements. Tenancy tenures are generally for a period of one (1) to three (3) years.
- (d) Amounts due to holding and related companies are unsecured, interest-free (2018: interest free) and repayable on demand.

13 GROSS REVENUE

	Group and Fund	
	2019	2018
	RM'000	RM'000
<u>Gross rental income</u>		
- Rental income	366,273	355,426
- Rent related income	35,168	33,350
	<u>401,441</u>	<u>388,776</u>
<u>Revenue from contract with customers</u>		
- Service charge	70,750	68,265
- Car park income	44,736	45,212
- Utilities recoverable	26,632	25,999
- Promotion partnership income	2,520	2,350
- Others	6,053	5,087
	<u>150,691</u>	<u>146,913</u>
Gross revenue	<u>552,132</u>	<u>535,689</u>
Revenue from contract with customers is represented by:-		
- Over time	<u>150,691</u>	<u>146,913</u>
Revenue from other sources:		
- Interest income	<u>7,128</u>	<u>6,756</u>

Rental income included variable lease payments related to sales generated from mall tenants which approximates to 10.3% (2018: 10.1%) of gross rental income. There are no other variable lease payments that depend on an index or rate.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

14 REIMBURSEMENT COSTS

	Group and Fund	
	2019	2018
	RM'000	RM'000
Manpower costs	31,785	31,547
Marketing expenses	6,456	5,363
Administration expenses	6,218	6,307
Management expenses	3,923	3,265
Insurance premium	1,675	2,187
	50,057	48,669

15 MANAGER'S MANAGEMENT FEES

	Group and Fund	
	2019	2018
	RM'000	RM'000
Base fee	15,560	15,367
Performance fee	19,939	19,313
	35,499	34,680

For the financial year ended 31 December 2019, 65% of the total Manager's management fees has been paid/payable in Units (2018: 100%) and the remaining 35% in cash.

16 FINANCE COSTS

	Group		Fund	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Borrowing costs	52,800	52,800	-	-
Interest on advances from subsidiary	-	-	52,800	52,800
Amortisation of transaction costs	260	260	260	260
	53,060	53,060	53,060	53,060

NOTES TO THE FINANCIAL STATEMENTS

(continued)

17 TAXATION

	Group and Fund	
	2019	2018
	RM'000	RM'000
Reconciliation of tax expense		
Profit before taxation	315,860	333,753
Income tax using Malaysian tax rate of 24% (2018: 24%)	75,806	80,101
Non-deductible expenses	4,257	4,197
Fair value gain on investment properties not subject to tax	-	(7,200)
Income exempted from tax	(80,063)	(77,098)
	-	-

Pursuant to Section 61A of the Malaysian Income Tax Act, 1967 ("Act"), income of IGB REIT will be exempted from tax provided that at least 90% of its total taxable income (as defined in the Act) is distributed to the investors in the basis period of IGB REIT for that year of assessment within two (2) months after the close of the financial year. If the 90% distribution condition is not complied with or the 90% distribution is not made within two (2) months after the close of IGB REIT financial year which forms the basis period for a year of assessment, IGB REIT will be subject to income tax at the prevailing rate on its total taxable income. Income which has been taxed at the IGB REIT level will have tax credits attached when subsequently distributed to unitholders.

As the distribution to unitholders for the financial year ended 31 December 2019 is approximately 95% (2018: 95%) of the total distributable income, no provision for income taxation has been made for the current and prior financial year.

18 EARNINGS PER UNIT ("EPU") – BASIC AND DILUTED

The calculation of EPU is based on total comprehensive income attributable to unitholders divided by the weighted average number of Units.

	Note	Group and Fund	
		2019	2018
		RM'000	RM'000
Total comprehensive income			
- Realised		315,860	303,753
- Unrealised		-	30,000
Total		315,860	333,753
Weighted average number of units ('000)			
Weighted average number of Units in issue		3,543,283	3,525,443
Adjustment for Manager's management fees payable in Units	a	2,987	5,011
Weighted average number of Units for diluted EPU		3,546,270	3,530,454
Basic/Diluted EPU (sen)			
- Realised		8.91	8.60
- Unrealised		-	0.85
Total		8.91	9.45

NOTES TO THE FINANCIAL STATEMENTS

(continued)

18 EARNINGS PER UNIT ("EPU") – BASIC AND DILUTED (continued)

Diluted EPU equals to Basic EPU as there are no potential dilutive units in issue.

Note (a):-

	Group and Fund			
	2019		2018	
	Number of units '000	Value RM'000	Number of units '000	Value RM'000
Manager's management fees payable in Units				
- from 1 October 2019 to 31 December 2019 at RM1.90 per Unit listed on 30 January 2020	2,987	5,675	-	-
- from 1 October 2018 to 31 December 2018 at RM1.74 per Unit listed on 30 January 2019	-	-	5,011	8,720
	2,987	5,675	5,011	8,720

19 DISTRIBUTION TO UNITHOLDERS

	Note	Group and Fund	
		2019 RM'000	2018 RM'000
Total comprehensive income		315,860	333,753
Distribution adjustments	a	25,994	7,677
Distributable income		341,854	341,430
Distribution per unit (sen)			
- for the period from 1 January 2019 to 31 March 2019		2.40	-
- for the period from 1 April 2019 to 30 June 2019		2.26	-
- for the period from 1 July 2019 to 30 September 2019		2.31	-
- for the period from 1 October 2019 to 31 December 2019		2.19	-
- for the period from 1 January 2018 to 31 March 2018		-	2.48
- for the period from 1 April 2018 to 30 June 2018		-	2.14
- for the period from 1 July 2018 to 30 September 2018		-	2.29
- for the period from 1 October 2018 to 31 December 2018		-	2.28
		9.16	9.19

NOTES TO THE FINANCIAL STATEMENTS

(continued)

19 DISTRIBUTION TO UNITHOLDERS (continued)

		Group and Fund	
		2019	2018
	Note	RM'000	RM'000
<u>Sources of distribution</u>			
Gross rental income		401,441	388,776
Revenue from contracts with customers		150,691	146,913
Interest income		7,128	6,756
Changes in fair value on investment properties		-	30,000
		559,260	572,445
Less: Expenses		(243,400)	(238,692)
Total comprehensive income		315,860	333,753
Distribution adjustments	a	25,994	7,677
Distributable income		341,854	341,430
Income distribution of 2.40 sen per unit (@ 2.36 sen taxable and 0.04 sen non-taxable) for the period from 1 January 2019 to 31 March 2019		(85,031)	-
Income distribution of 2.26 sen per unit (@ 2.22 sen taxable and 0.04 sen non-taxable) for the period from 1 April 2019 to 30 June 2019		(80,136)	-
Income distribution of 2.31 sen per unit (@ 2.27 sen taxable and 0.04 sen non-taxable) for the period from 1 July 2019 to 30 September 2019		(81,978)	-
Income distribution of 2.19 sen per unit (@ 2.15 sen taxable and 0.04 sen non-taxable) for the period from 1 October 2019 to 31 December 2019		(77,581)	-
Income distribution of 2.48 sen per unit (@ 2.40 sen taxable and 0.08 sen non-taxable) for the period from 1 January 2018 to 31 March 2018		-	(87,410)
Income distribution of 2.14 sen per unit (@ 2.12 sen taxable and 0.02 sen non-taxable) for the period from 1 April 2018 to 30 June 2018		-	(75,534)
Income distribution of 2.29 sen per unit (@ 2.25 sen taxable and 0.04 sen non-taxable) for the period from 1 July 2018 to 30 September 2018		-	(80,947)
Income distribution of 2.28 sen per unit (@ 2.24 sen taxable and 0.04 sen non-taxable) for the period from 1 October 2018 to 31 December 2018		-	(80,728)
Adjustment for prior year income distribution		20	(348)
Income distributed		(324,706)	(324,967)
Income retained		17,148	16,463

NOTES TO THE FINANCIAL STATEMENTS

(continued)

19 DISTRIBUTION TO UNITHOLDERS (continued)

		Group and Fund	
		2019	2018
	Note	RM'000	RM'000
<u>Note (a):-</u>			
Distribution adjustments comprise:-			
Changes in fair value on investment properties		-	(30,000)
Manager's management fees payable in Units	15	23,074	34,680
Amortisation of transaction costs		260	260
Depreciation of plant and equipment	5	2,660	2,737
		<u>25,994</u>	<u>7,677</u>

Withholding tax will be deducted for distributions as follows:-

	Withholding tax rate	
	2019	2018
Resident corporate	N/A [^]	N/A [^]
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	24%	24%
Non-resident institutional	10%	10%

[^] to tax at prevailing rate

20 PORTFOLIO TURNOVER RATIO

	Group and Fund	
	2019	2018
Portfolio Turnover Ratio ("PTR") (times)	-	-

The calculation of PTR is based on the average value of total acquisitions and disposals of investments in the Group and the Fund for the financial year to the average NAV during the financial year.

Save for placement and upliftment of fixed deposits, there were no acquisitions and disposals of investments in the Group and the Fund for the financial year.

Since the basis of calculating PTR can vary among REITs, there is no consistent or coherent basis for providing an accurate comparison of the Group's and of the Fund's PTR against other REITs.

21 MANAGEMENT EXPENSE RATIO

	Group and Fund	
	2019	2018
Management expense ratio ("MER") (%)	<u>0.98</u>	<u>0.96</u>

The calculation of the MER is based on the total fund operating fees of the Group and the Fund incurred for the financial year, including the Manager's management fees, trustees' fees and other trust expenses, to the NAV (after income distribution).

Since the basis of calculating MER can vary among REITs, there is no consistent or coherent basis for providing an accurate comparison of the Group's and of the Fund's MER against other REITs.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

22 SEGMENT REPORTING

The segmental financial information by business or geographical segments is not presented as there is only one (1) business activity within the investment properties portfolio of the Group and of the Fund, which comprised of MVM and TGM and its entire business is conducted in Kuala Lumpur.

The Manager assesses the financial performance of the operating segments based on, including but not limited to, net property income ("NPI"). The NPI enables financial performance benchmarking as such basis eliminates the effect of financing and investment decisions which may not be made at operating level.

23 FINANCIAL INSTRUMENTS BY CATEGORY

		Group		Fund	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
<u>Financial assets at amortised cost</u>					
Assets as per statement of financial position:-					
- Trade and other receivables excluding prepayments and accrued billings	8	11,377	9,607	39,830	37,099
- Cash and bank balances	9	225,509	207,123	197,056	179,631
Total financial assets		236,886	216,730	236,886	216,730
<u>Financial liabilities at amortised cost</u>					
Liabilities as per statement of financial position:-					
- Borrowings	11	1,214,185	1,213,925	-	-
- Trade and other payables excluding indirect tax and prepaid rental	12	212,508	213,755	1,426,693	1,427,680
Total financial liabilities		1,426,693	1,427,680	1,426,693	1,427,680

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

24.1 Financial risk factors

The Group's and the Fund's activities expose it to a variety of financial risks: interest rate risk (including fair value interest rate risk), credit risk and liquidity and cash flow risk. The Group's and the Fund's overall financial risk management objective is to ensure that it creates value for its unitholders. The Group and the Fund focus on the unpredictability of financial markets and seeks to mitigate potential adverse effects on the financial performance of the Group and the Fund. Financial risk management is carried out through risk reviews, internal control systems and insurance programmes. The Manager regularly reviews the risk profile and ensure adherence to the Group's and the Fund's financial risk management policies.

(a) Interest rate risk

The Group's and the Fund's income and cash flows are substantially independent of changes in market interest rates as the interest rate of Tranche 1, MTN is fixed at 4.4% per annum which locks in the interest rate against any fluctuation resulting in exposure to fair value and cash flow interest rate risk.

Sensitivity analysis for interest rate fluctuation is irrelevant or not applicable as the Group and the Fund do not use variable rates in managing its cash flow interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.1 Financial risk factors (continued)

(b) Credit risk

Credit risk arises from credit exposures to outstanding receivables from the tenants, as well as cash, cash equivalents and deposits with banks and financial institutions.

Credit risk with respect to trade receivables and intercompany receivables are limited due to the nature of business which is mainly rental related and cash-based. Credit risks arising from outstanding receivables from the tenants are mitigated and monitored by strict selection of tenants and/or business associates with high creditworthiness. Trade receivables are monitored on an on-going basis via compliance with standard operating and reporting procedures. Other than anchor tenants, namely Aeon BIG, Aeon, Metrojaya, GSC, Isetan, Robinsons and GSC Aurum Theatre, which contribute 9.5% (2018: 10.0%) of the rental income, the Group and the Fund do not have any significant exposure to any individual or group of tenants or counterparties.

Simplified approach for trade receivables

The Group and the Fund apply simplified approach which requires expected lifetime losses to be recognised from initial recognition of the trade receivables.

To measure the expected credit loss, the expected loss rates are based on the historical payment profiles of tenants and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the tenants to settle the receivables. The Group and the Fund have identified the credit profile and sales performance of tenants to be the most relevant forward looking factors, and accordingly adjusted the historical loss rates based on expected changes in these factors. The Group and the Fund have determined the default rate for trade receivables based on their historical default rate and applied the historical default rate on trade receivables balance in the financial year.

The historical experience in collection of trade receivables falls within the recorded and expected allowances. Furthermore, the tenants have placed security deposits in the form of cash or bank guarantees which act as collateral. In view of the above, no additional credit risk beyond amounts allowed for expected credit losses is inherent in the Group's and the Fund's trade receivables.

Bank deposits are placed with licensed financial institutions with high credit ratings assigned by credit rating agencies, hence, the credit risk is considered to be low although the Group and the Fund have significant deposits placed with a single financial institution.

General 3-stage approach for other receivables, deposits and non-trade intercompany balances

The other receivables, deposits and non-trade intercompany balances impairment are assessed individually to determine whether there was objective evidence that an impairment had been incurred but not yet identified. Loss allowance is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs.

The analysis of credit risk exposure of trade and other receivables is as follows:-

Trade receivables

Group and Fund

	1-7 days	8-30 days	31-60 days	61-90 days	>90 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 December 2019						
Trade receivables (gross)	2,115	1,095	220	67	1,393	4,890
Loss allowance	(19)	(780)	(203)	(37)	(1,393)	(2,432)
Trade receivables (net)	2,096	315	17	30	-	2,458
Expected loss rate	0.9%	71.2%	92.3%	55.2%	100.0%	

NOTES TO THE FINANCIAL STATEMENTS

(continued)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.1 Financial risk factors (continued)

(b) Credit risk (continued)

Trade receivables (continued)

Group and Fund

	1-7 days	8-30 days	31-60 days	61-90 days	>90 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 December 2018						
Trade receivables (gross)	938	1,230	329	171	1,413	4,081
Loss allowance	(9)	(887)	(272)	(62)	(1,413)	(2,643)
Trade receivables (net)	929	343	57	109	-	1,438
Expected loss rate	1.0%	72.1%	82.7%	36.3%	100.0%	

Other receivables, deposits and non-trade intercompany balances

There is no impairment of other receivables, deposits and non-trade intercompany balances as the rate of default and expected loss rate is low.

The movement of loss allowance of trade receivables is as follows:-

	Group and Fund	
	2019	2018
	RM'000	RM'000
As at 1 January	2,643	3,096
Loss allowance	1,917	2,655
Reversal during the year	(2,128)	(3,108)
As at 31 December	2,432	2,643

The decrease in the loss allowance of RM211,000 is due to higher receipt and recovery from trade debtors.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables.

(c) Liquidity and cash flow risk

The rolling forecasts of liquidity requirements are monitored to ensure there is sufficient cash to meet operational needs while maintaining sufficient headroom on the committed borrowing facilities (Note 11).

Adequate cash, cash equivalents and bank facilities are maintained and monitored to finance the operations, to distribute income to unitholders, and to mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the REIT Guidelines concerning limits on total borrowings of the investment trust.

Cash and bank balances as at 31 December 2019 of the Group and of the Fund of RM226 million (2018: RM207 million) and RM197 million (2018: RM180 million) respectively are expected to assist in the liquidity and cash flow risk management.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.1 Financial risk factors (continued)

(c) Liquidity and cash flow risk (continued)

The analysis of the non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date is as follows:-

Group	<1 year RM'000	1 to 2 years RM'000	2 to 3 years RM'000	>3 years RM'000	Total RM'000
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At 31 December 2019

Borrowings	52,800	52,800	1,252,800	-	1,358,400
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Trade and other payables and accruals excluding indirect tax and prepaid rental	212,508	-	-	-	212,508
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At 31 December 2018

Borrowings	52,800	52,800	52,800	1,252,800	1,411,200
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Trade and other payables and accruals excluding indirect tax and prepaid rental	213,755	-	-	-	213,755
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Fund	<1 year RM'000	1 to 2 years RM'000	2 to 3 years RM'000	>3 years RM'000	Total RM'000
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At 31 December 2019

Trade and other payables and accruals excluding indirect tax and prepaid rental	280,208	52,800	1,238,885	-	1,571,893
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At 31 December 2018

Trade and other payables and accruals excluding indirect tax and prepaid rental	281,455	52,800	52,800	1,238,625	1,625,680
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Note:-

The amounts are contractual and undiscounted cash flows.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.2 Capital risk management

The Group's capital is the unitholders' capital and borrowings. The Fund's capital is the unitholders' capital and intercompany borrowings.

The overall capital management objectives are to safeguard the ability to continue as a going concern in order to provide returns for unitholders and other stakeholders as well as to maintain a more efficient capital structure.

The Manager's on-going capital management strategy involves maintaining an appropriate gearing level and adopting an active interest rate management strategy to manage the risks associated with refinancing and changes in interest rates. The Manager intends to implement this strategy by (i) diversifying sources of debt funding to the extent appropriate, (ii) maintaining a reasonable level of debt service capability, (iii) securing favourable terms of funding, (iv) managing its financial obligations and (v) where appropriate, managing the exposures arising from adverse market interest rates, such as through fixed rate borrowings, to improve the efficiency for the cost of capital.

The total borrowings to total assets ratio is as follows:-

	Group		Fund	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Total borrowings	1,214,185	1,213,925	-	-
Total intercompany borrowings	-	-	1,214,185	1,213,925
Total assets	5,220,951	5,202,966	5,220,951	5,202,966
Borrowings to total assets ratio (%)	23.3	23.3	23.3	23.3

The total borrowings should not exceed 50% of the total assets at the time the borrowings are incurred in accordance with the REIT Guidelines. The Group and the Fund complied with the borrowing limit requirement for the financial year.

The financial covenants of the MTN Programme are as follows:-

- (i) to ensure that the total amount raised by the Group from issuance of debt securities and/or any other financing facilities shall not exceed 50% of the total asset value of the Group; and
- (ii) to maintain the interest service cover ratio ("ISCR") of not less than 1.5 times for the Group, calculated on a yearly basis at the end of the financial year of the Group.

The financial covenants of the Tranche 1, MTN are as follows:-

- (i) to maintain a security cover ratio for MVM of not more than 60%;
- (ii) to maintain the ISCR of not less than 2.0 times for MVM, calculated on a yearly basis at the end of the financial year of IGB REIT; and
- (iii) to ensure that the total amount raised by the Group from issuance of debt securities and/or any other financing facilities shall not exceed 50% of the total asset value of the Group.

The Group and the Fund complied with the financial covenants for both the financial years.

The Deed provides that the Manager shall, with the approval of the Trustee, for each distribution period, distribute all (or such other percentage as determined by the Manager at its absolute discretion) of the Fund's distributable income. It is the intention of the Manager to distribute at least 90% of the Fund's distributable income on a quarterly basis (or such other interval as determined by the Manager at its absolute discretion).

For the financial year ended 31 December 2019, the Group and the Fund distributed approximately 95% (2018: 95%) of its distributable income.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.3 Fair value

The assets and liabilities measured at fair value and classified by level of the fair value measurement hierarchy are as follows:-

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- inputs for the asset or liability that are not based on observable market data i.e. unobservable inputs (Level 3).

	Group and Fund	
	2019	2018
	RM'000	RM'000

Level 3

Recurring fair value measurements:-

Investment properties	4,960,000	4,960,000
-----------------------	-----------	-----------

Level 3 fair values of the investment properties have been derived from the income approach method based on valuations performed by independent registered valuer. The valuation techniques, significant parameters and movement in fair values are as disclosed in Note 6.

Assets and liabilities not carried at fair value

Save as disclosed below, the carrying amounts of financial assets and liabilities as at reporting date approximated their fair values. The fair value of cash deposits received from tenants at the reporting date is not materially different from their carrying value as the impact of discounting is not significant.

The Group's borrowings are not measured at fair value as at reporting date. The fair value of such borrowings is disclosed within the fair value hierarchy as follows:-

	Group			
	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000

Level 2

Borrowings	1,214,185	1,245,524	1,213,925	1,223,960
------------	-----------	-----------	-----------	-----------

	Fund			
	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000

Level 2

Intercompany borrowings	1,214,185	1,245,524	1,213,925	1,223,960
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NOTES TO THE FINANCIAL STATEMENTS

(continued)

25 OPERATING LEASES

Leases as lessor

The Group and the Fund lease out the investment properties (Note 6) under operating leases. Subject to full receipts and/or recoveries of all trade receivables, the future minimum lease receivables under non-cancellable lease are as follows:-

	Group and Fund	
	2019	2018
	RM'000	RM'000
Less than one (1) year	313,604	291,304
Between one (1) and two (2) years	205,180	192,411
Between two (2) and three (3) years	82,679	97,521
Between three (3) and four (4) years	25,043	25,280
Between four (4) and five (5) years	25,306	25,340
More than five (5) years	147,707	165,630
	799,519	797,486

26 CAPITAL COMMITMENTS

The capital expenditure which has not been provided for in the financial statements is as follows:-

	Group and Fund	
	2019	2018
	RM'000	RM'000
Plant and equipment		
Authorised by Directors of the Manager but not contracted	5,897	3,397

27 SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions are carried out in the normal course of business on terms and conditions negotiated between the contracting parties.

Related party	Relationship
IGB Berhad ("IGB")	Major unitholder, the sponsor and holding company of the Fund
IGB Corporation Berhad ("IGBC")	A subsidiary of IGB
IGB REIT Management Sdn Bhd	The Manager of the Fund, a subsidiary of IGBC
IGB REIT Capital Sdn Bhd	A subsidiary of the Fund via MTrustee Berhad (acting in its capacity as trustee for IGB REIT)
AFMS Solutions Sdn Bhd	A subsidiary of IGB
Ensignia Construction Sdn Bhd	A subsidiary of IGBC
IGB Properties Sdn Bhd	A subsidiary of IGBC
Mid Valley City Developments Sdn Bhd	A subsidiary of IGBC
Mid Valley City Energy Sdn Bhd	A subsidiary of IGBC
Mid Valley City Enterprise Sdn Bhd	A subsidiary of IGBC
Mid Valley City Hotels Sdn Bhd	A subsidiary of IGBC
Mid Valley City North Tower Sdn Bhd	A subsidiary of IGBC
Mid Valley City South Tower Sdn Bhd	A subsidiary of IGBC

NOTES TO THE FINANCIAL STATEMENTS

(continued)

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

Related party	Relationship
Mid Valley City Southpoint Sdn Bhd	A subsidiary of IGBC
MVC Centrepont North Sdn Bhd	A subsidiary of IGBC
MVC Centrepont South Sdn Bhd	A subsidiary of IGBC
MVC CyberManager Sdn Bhd	A subsidiary of IGBC
MVEC Exhibition and Event Services Sdn Bhd	A subsidiary of IGBC
Tanah Permata Sdn Bhd	A subsidiary of IGBC
Technoltic Engineering Sdn Bhd	An associate of IGBC
Wah Seong (Malaya) Trading Co. Sdn Bhd	Major unitholder of the Fund
Strass Media Sdn Bhd	A subsidiary of Wah Seong (Malaya) Trading Co. Sdn Bhd
Syn Tai Hung Trading Sdn Bhd	A subsidiary of Wah Seong Corporation Berhad
JVP Venture Sdn Bhd	A person connected to a director of the Manager
Fast Casual Hospitality Sdn Bhd	A person connected to a director of the Manager

Group		Fund	
2019	2018	2019	2018
RM'000	RM'000	RM'000	RM'000

Significant related party transactions for the financial year:-

Receivables

1) Utilities charges

- IGB Properties Sdn Bhd	610	470	610	470
- Mid Valley City Enterprise Sdn Bhd	1,624	1,449	1,624	1,449
- MVC Centrepont South Sdn Bhd	791	956	791	956
- MVC Centrepont North Sdn Bhd	1,079	986	1,079	986
- Mid Valley City Hotels Sdn Bhd	3,214	3,134	3,214	3,134
- Tanah Permata Sdn Bhd	1,256	1,252	1,256	1,252
- Mid Valley City Southpoint Sdn Bhd	105	-	105	-
- Mid Valley City South Tower Sdn Bhd	1,999	1,903	1,999	1,903
- Mid Valley City North Tower Sdn Bhd	2,006	2,081	2,006	2,081
- Mid Valley City Energy Sdn Bhd	854	802	854	802
- Mid Valley City Developments Sdn Bhd	86	67	86	67
- Ensignia Construction Sdn Bhd	-	54	-	54
- Strass Media Sdn Bhd	134	137	134	137
- IGB Corporation Berhad	-	59	-	59
	13,758	13,350	13,758	13,350

2) Rental of premises

- MVEC Exhibition and Event Services Sdn Bhd	5,357	5,333	5,357	5,333
- MVC CyberManager Sdn Bhd	60	60	60	60
- JVP Venture Sdn Bhd	161	206	161	206
- Fast Casual Hospitality Sdn Bhd	295	278	295	278
	5,873	5,877	5,873	5,877

NOTES TO THE FINANCIAL STATEMENTS

(continued)

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

	Group		Fund	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Significant related party transactions for the financial year:- (continued)				
Receivables (continued)				
3) Rental of light box				
- Strass Media Sdn Bhd	1,141	986	1,141	986
4) Rental of car park				
- IGB Berhad	222	-	222	-
- IGB Corporation Berhad	-	201	-	201
- Tanah Permata Sdn Bhd	180	177	180	177
	402	378	402	378
5) Interest charges to				
- IGB REIT Capital Sdn Bhd	-	-	985	1,031
Payables				
1) Utilities charges				
- Mid Valley City Energy Sdn Bhd	41,698	39,386	41,698	39,386
- Tanah Permata Sdn Bhd	73	64	73	64
	41,771	39,450	41,771	39,450
2) Manager's management fee				
- IGB REIT Management Sdn Bhd	35,499	34,680	35,499	34,680
3) Repair and maintenance				
- Technoltic Engineering Sdn Bhd	38	794	38	794
- Ensignia Construction Sdn Bhd	1,862	1,380	1,862	1,380
- Wah Seong (Malaya) Trading Co. Sdn Bhd	133	151	133	151
- Syn Tai Hung Trading Sdn Bhd	8	110	8	110
	2,041	2,435	2,041	2,435
4) Hotel facilities and services				
- Tanah Permata Sdn Bhd	129	112	129	112
	129	112	129	112
5) Management support cost				
- AFMS Solutions Sdn Bhd	183	-	183	-
6) Interest charged by				
- IGB REIT Capital Sdn Bhd	-	-	53,060	53,060

NOTES TO THE FINANCIAL STATEMENTS

(continued)

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

	Group		Fund	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>Significant related party balances as at reporting date:-</u>				
1) Deposits placed with				
- Mid Valley City Energy Sdn Bhd	7,421	7,431	7,421	7,431
2) Amount owing by				
- IGB REIT Capital Sdn Bhd	-	-	28,512	27,527
3) Amount owing to				
- IGB REIT Management Sdn Bhd	8,732	8,720	8,732	8,720
- IGB REIT Capital Sdn Bhd	-	-	1,214,185	1,213,925

UNITHOLDING STATISTICS

As at 31 January 2020

ISSUED UNITS

3,551,815,047 (voting right : 1 vote per Unit)

PUBLIC SPREAD

44.96%

DISTRIBUTION OF UNITHOLDINGS

Range of Unitholdings	No. of Unitholders	% of Unitholders	No. of Issued Units	% of Issued Units
Less than 100	1,800	7.85	51,202	0.00
100 – 1,000	8,470	36.96	4,307,999	0.12
1,000 – 10,000	9,216	40.21	38,759,010	1.09
10,001 – 100,000	2,752	12.01	87,124,884	2.45
100,001 to less than 5% of Issued Units	675	2.95	1,225,654,385	34.51
5% and above of Issued Units	5	0.02	2,195,917,567	61.83
Total	22,918	100.00	3,551,815,047	100.00

SUBSTANTIAL UNITHOLDERS (5% AND ABOVE)

Name	Direct		Deemed*	
	No. of Issued Units	% of Issued Units	No. of Issued Units	% of Issued Units
IGB Berhad	1,733,617,754	48.81	152,360,533	4.29
Dato' Seri Robert Tan Chung Meng	14,739,081	0.42	1,917,144,903	53.98
Pauline Tan Suat Ming	Nil	Nil	1,917,144,903	53.98
Tony Tan Choon Keat	1,000,000	0.03	1,917,144,903	53.98
Tan Chin Nam Sendirian Berhad	Nil	Nil	1,915,598,293	53.93
Tan Kim Yeow Sendirian Berhad	2,879,665	0.08	1,914,265,238	53.90
Wah Seong (Malaya) Trading Co. Sdn Bhd	27,961,606	0.79	1,885,978,287	53.10
Employees Provident Fund Board	331,014,913	9.32	Nil	Nil
Kumpulan Wang Persiaran (Diperbadankan)	208,203,200	5.86	27,477,200	0.77

DIRECTORS AND CEO UNITHOLDINGS

Name	Direct		Deemed*	
	No. of Issued Units	% of Issued Units	No. of Issued Units	% of Issued Units
Dato' Seri Robert Tan Chung Meng	14,739,081	0.42	1,917,144,903	53.98
Tan Lei Cheng	1,853,742	0.05	345,722	0.01
Daniel Yong Chen-I	622,132	0.02	1,080,898	0.03
Elizabeth Tan Hui Ning	3,579,000	0.10	Nil	Nil
Antony Patrick Barragry	151,300	0.00	Nil	Nil

* Deemed to have interests in Units held by other corporations by virtue of section 4 of the Capital Markets and Services Act 2007

UNITHOLDING STATISTICS

As at 31 January 2020

(continued)

TOP 30 UNITHOLDERS

No.	Name of Unitholder	No. of Issued Units	% of Issued Units
1	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for IGB Berhad (KLC)	640,000,000	18.02
2	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for IGB Berhad (KLC – A/C 2)	640,000,000	18.02
3	IGB Berhad	453,617,754	12.77
4	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	254,226,613	7.16
5	Kumpulan Wang Persaraan (Diperbadankan)	208,073,200	5.86
6	IGB REIT Management Sdn Bhd	151,815,047	4.27
7	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd	60,662,598	1.71
8	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	52,733,600	1.48
9	Pertubuhan Keselamatan Sosial	40,836,350	1.15
10	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for Prulink Equity Fund	35,718,192	1.01
11	Amanahraya Trustees Berhad Public Smallcap Fund	33,134,616	0.93
12	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Affin-HWG)	32,297,600	0.91
13	Wah Seong (Malaya) Trading Co. Sdn Bhd	27,961,606	0.79
14	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	27,509,833	0.77
15	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	22,740,770	0.64
16	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (Life PAR)	22,680,800	0.64
17	Amanahraya Trustees Berhad Public Dividend Select Fund	22,566,432	0.63
18	Amanahraya Trustees Berhad Public Savings Fund	20,943,076	0.59
19	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AMUNDI)	18,263,300	0.51
20	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA International Real Estate Securities Portfolio of DFA Investment Dimensions Group Inc	16,254,700	0.46
21	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	15,168,500	0.43
22	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad - Kenanga Growth Fund	14,507,500	0.41
23	Citigroup Nominees (Tempatan) Sdn Bhd Great Eastern Life Assurance (Malaysia) Berhad (LSF)	13,017,000	0.37
24	Tokio Marine Life Insurance Malaysia Bhd As Beneficial Owner (PF)	12,179,200	0.34
25	Robert Tan Chung Meng	12,005,755	0.34
26	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund NBIF for Nuveen Real Asset Income Fund	11,144,361	0.31
27	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLT OD67)	10,978,300	0.31
28	UOBM Nominees (Asing) Sdn Bhd Pledged Securities Account for Montego Assets Limited (PCB)	10,000,000	0.28
29	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund ZYEF for Vanguard Global EX - U.S. Real Estate Index Fund	9,788,000	0.28
30	Citigroup Nominees (Asing) Sdn Bhd CEP for Asian Equity Fund (Manulife GBL FD)	9,450,700	0.27
Total		2,900,275,403	81.66

NOTICE OF EIGHTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN of the Eighth Annual General Meeting (8th AGM) of IGB Real Estate Investment Trust (IGB REIT) to be held at Bintang Ballroom, Level 5, Cititel Mid Valley, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia on Wednesday, 22 April 2020 at 2.00 p.m. to transact the following business:

AGENDA

Ordinary Business

- 1.0 To receive the Financial Statements of IGB REIT for the year ended 31 December 2019 together with reports issued by the Trustee, the Manager and the Auditor (Financial Statements and Reports FY2019).

Special Business

- 2.0 To consider and, if thought fit, to pass the following ordinary resolution:

Proposed Renewal of Unitholder Mandate for Recurrent Related Party Transactions of a revenue or trading nature (RRPT Mandate)

THAT authorisation of the Unitholders be and is hereby accorded to IGB REIT Group to enter into all arrangements and/or transactions with IGB Berhad and its subsidiaries (IGB Group) as specified in Section 3.0 of the Circular to Unitholders dated 28 February 2020 (Circular), provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for IGB REIT Group's day-to-day operations;
- (iii) carried out in the ordinary course of business, at arm's length and on normal commercial terms not more favourable to the related parties than those generally available to the public; and
- (iv) not detrimental to the minority Unitholders

THAT the RRPT Mandate, unless revoked or varied by IGB REIT in general meeting, shall continue for the period ending on the date of the annual general meeting to be held in 2021;

AND THAT the Directors be and are hereby authorised to do all such acts, matters, deeds and things as they may consider expedient or necessary or in the interests of IGB REIT to give effect to the RRPT Mandate and/or this resolution.

By Order of the Board of Directors
IGB REIT MANAGEMENT SDN BHD
 as Manager of IGB REIT

Tina Chan
 Company Secretary
 (MAICSA 7001659/SSM PC No. 201908000014)

Kuala Lumpur
 28 February 2020

Explanatory Notes of each item on Agenda:

(1) Financial Statements and Reports FY2019

Agenda 1.0 is for presentation of the Financial Statements and Reports FY2019 to Unitholders for discussion, and no voting is required.

(2) RRPT Mandate

Unitholders should note that by approving the ordinary resolution relating to the RRPT Mandate, Unitholders will be authorising IGB REIT Group to enter into RRPT with IGB Group during the mandate period, the details of which are set out in the Circular.

This resolution will be taken by poll. For the resolution to be passed more than 50% of the votes cast must be in favour. Please follow the instructions given during the 8th AGM for the e-polling process. The poll results will be announced through BursaLINK and will be posted on IGB REIT's website as soon as possible following the 8th AGM.

(3) Abstention from Voting

Dato' Seri Robert Tan Chung Meng, Daniel Yong Chen-I, Elizabeth Tan Hui Ning and Tan Lei Cheng and persons connected to them will abstain from voting on the ordinary resolution relating to the RRPT Mandate.

NOTICE OF EIGHTH ANNUAL GENERAL MEETING

(continued)

Notes:

(1) Appointment of proxy

- (a) A Unitholder is entitled to appoint 1 or 2 proxies (none of whom need be a Unitholder of IGB REIT).
- (b) A Unitholder, who is an authorised nominee, may appoint not more than 2 proxies in respect of each securities account held; whereas, an exempt authorised nominee may appoint multiple proxies in respect of each securities account held.
- (c) Proxy Form in the case of an individual shall be signed by the appointor or his/her attorney, and in the case of corporation, either under its common seal or the hand of an officer or attorney duly authorised.
- (d) Where a Unitholder appoints 2 proxies, the appointment shall be invalid unless the proportion of the unitholdings to be represented by each proxy is specified.
- (e) Only Unitholders registered in Record of Depositors as at 15 April 2020 shall be entitled to attend and vote at the 8th AGM or appoint proxies to attend and vote on their behalf.
- (f) IGB REIT shall have the right to reject Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointer specified on the Proxy Form.
- (g) Proxy Form and power of attorney or other authority, if any, under which it is signed or certified or office copy of such power or authority must be deposited at the Manager's registered office, no later than 2.00 p.m. on Tuesday, 21 April 2020.
- (h) Annual Report 2019 (AR2019) and Circular can be viewed and downloaded at www.igbreit.com.

(2) Registration of Unitholders/Proxies

- (a) Registration will start at 12.00 noon on the day of the 8th AGM.
- (b) Unitholders/proxies are required to produce original identification cards/documents for verification.
- (c) Upon verification, each Unitholder/proxy will be given an identification wristband. No person will be allowed to enter the meeting hall without wearing the identification wristband. There will be no replacement in the event Unitholders/proxies lose or misplace the identification wristband. Unitholders/proxies will be allowed to enter the meeting hall from 1.00 p.m. onwards.
- (d) The registration counters will only process verification of identities and registration. Other queries/clarification, please proceed to Help Desk counter within the registration area.
- (e) Parking tickets can be validated at the secretariat counter for Unitholders/proxies who park their vehicles at Mid Valley Megamall (MVM) and The Gardens Mall (TGM) only. IGB REIT will NOT validate nor reimburse Unitholders/proxies for parking charges using Touch' N Go, or the valet parking services at MVM and TGM.
- (f) Printed copies of AR2019 and Circular are available for collection at the secretariat counter on a first-come first-served basis.



IGB REAL ESTATE INVESTMENT TRUST

(constituted by the Deed of Trust dated 18 July 2012 as amended by the First Amending and Restating Deed dated 25 October 2018 between IGB REIT Management Sdn Bhd and MTrustee Berhad)

PROXY FORM – 8TH AGM

CDS Account No.	
No. of Units Held	

*I/We (full name as per NRIC No./Certificate of Incorporation) _____

NRIC No./Company No. _____ of (full address) _____

being a Unitholder of IGB REIT hereby appoint the following person(s):

Name of proxy, NRIC No. & Address	No. of Units to be represented by proxy
1. _____	_____
2. _____	_____

or, both of whom failing, the Chairman of the 8th AGM as my/our proxy to attend and to vote for me/us on my/our behalf, at the 8th AGM of IGB REIT to be held at Bintang Ballroom, Level 5, Cititel Mid Valley, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia on Wednesday, 22 April 2020 at 2.00 p.m. or at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolution to be proposed at the 8th AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion.

Ordinary Resolution	First Proxy		Second Proxy	
	For*	Against*	For*	Against*
RRPT Mandate				

* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided.

Dated this _____ day of _____ 2020

Signature/Common Seal of Unitholder

Notes:

- A Unitholder is entitled to appoint 1 or 2 proxies (none of whom need be a Unitholder of IGB REIT).
- A Unitholder, who is an authorised nominee, may appoint not more than 2 proxies in respect of each securities account held; whereas, an exempt authorised nominee may appoint multiple proxies in respect of each securities account held.
- Proxy Form in the case of an individual shall be signed by the appointor or his/her attorney, and in the case of corporation, either under its common seal or the hand of an officer or attorney duly authorised.
- Where a Unitholder appoints 2 proxies, the appointment shall be invalid unless the proportion of the unitholdings to be represented by each proxy is specified.
- Only Unitholders registered in Record of Depositors as at 15 April 2020 shall be entitled to attend and vote at the 8th AGM or appoint proxies to attend and vote on their behalf.
- IGB REIT shall have the right to reject Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form.
- Proxy Form and power of attorney or other authority, if any, under which it is signed or certified or office copy of such power or authority must be deposited at the Manager's registered office, no later than 2.00 p.m. on Tuesday, 21 April 2020.
- Annual Report 2019 and Circular to Unitholders dated 28 February 2020 can be viewed and downloaded at www.igbreit.com.

Fold this flap for sealing

Fold along this line (2)

PROXY FORM

AFFIX
RM0.80
STAMP

The Company Secretary
IGB REIT Management Sdn Bhd 201201006785 (908168-A)
the Manager of IGB REIT
Level 32, The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

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201201006785 (908168-A)

the Manager of IGB REIT

Level 32, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia

Tel +603 2289 8989 Fax +603 2289 8802 Email corporate-enquiry@igbreit.com