

# Corporate governance index developed for Malaysian REITs

**KUCHING:** The Asia Pacific Real Estate Association (APREA) released a corporate governance index for the Malaysian Real Estate Investment Trusts (M-REITs), held by the Malaysian REITs Managers Association (MRMA) recently.

The development of the APREA initiated M-REIT index was adapted to Malaysian conditions by Universiti Teknologi Mara head of centre for real estate research Associate Professor Dr Ting Kien Hwa, after a similar exercise was created for the Singapore REIT industry in 2008.

The index for Singapore REITs was conceptualised by ESSEC Business School Singapore executive director and research fellow Patrick Lecomte. Prior to the formulation, the research as well as construction and development of the index were overseen by a committee of APREA investor members.

The M-REIT Index was part of an ongoing APREA project on corporate governance of listed Asian real estate vehicles. Ting in consultation with Lecomte adapted the index for application to M-REITs, it said in a press statement yesterday. "APREA is working in similar ways with member universities in Hong Kong and Japan of which Universiti Teknologi



**APPRECIATION:** Labrooy (right) seen here giving a souvenir to Ting after the M-REIT Index presentation.

Mara is also a member."

"The index is based on a scorecard of quantitative and qualitative measures. The marks based on these criteria are based on publicly available information, such as annual reports to avoid any subjectivity involved in the index calculations.

"The rating criteria taken into account in assessing a REIT are board matters, audit committee, anti-takeover provisions, executive and director compensation, progressive practices, ownership, REIT organisation, the trustee, fees, related party transactions and gearing," it added.

The Malaysian REITs that scored best for corporate governance based on the index scorecard were Quill

Capita Trust, Amanahraya Real Estate Investment Trust, and Axis Real Estate Investment Trust.

MRMA chairman Stewart Labrooy was pleased to note that the Malaysian REITs members were keen to know which areas they were weak in and what they could they do operationally to improve their scores, and were pleased with Ting's suggestion to make this scoring an annual affair for MREITs.

The development of a corporate governance index for REITs in Malaysia had been widely supported by the industry as it would encourage MREITs to adopt the generally accepted principles of corporate governance as defined by relevant industry organisations.

According to Singapore APREA chief executive officer Peter Mitchell, real estate was an important asset class for institutional investors around the world and that the development of a corporate governance index would create greater transparency and investor confidence, which would encourage a bigger capital flow into the REIT sector.

Mitchell also said that Lecomte's research and the adaption of the Malaysian framework by Ting was an important addition to the understanding of the dynamic local REIT industry.

In addition to Malaysia and Singapore, the index was also being developed for REITs in Japan and Hong Kong as there was a clear need on the part of investors for more clarity and information on the benefits of investing in Asian real estate and hence the need for transparencies resulting from corporate governance.

"APREA also supported the evident need for increased training and information on real estate and best practices. This research is part of APREA's expanding research programme, which includes other important projects on the significance of real estate in Asian pension funds, real estate as an inflation hedge and the Asian real estate markets," Mitchell concluded.